



AUDIT COMMITTEE

DATE:	Thursday, 27 March 2025
TIME:	10.30 am
VENUE:	Committee Room, Town Hall, Station Road, Clacton-on-Sea, CO15 1SE

MEMBERSHIP:

Councillor Sudra (Chairman)	Councillor Morrison
Councillor Steady (Vice-Chairman)	Councillor Platt
Councillor Fairley	

Most Council meetings are open to the public and press.

Agendas and Minutes are published on the Council's website www.tendringdc.gov.uk. Agendas are available to view five working days prior to the meeting date and the Council aims to publish Minutes within five working days of the meeting.

Meeting papers can be provided, on request, in large print, in Braille, or on disc, tape, or in other languages.

For further details and general enquiries about this meeting, contact Katie Koppenaal Email: kkoppenaal@tendringdc.gov.uk or Telephone on 01255 686585

DATE OF PUBLICATION: WEDNESDAY, 19 MARCH 2025

AGENDA

1 Apologies for Absence and Substitutions

The Committee is asked to note any apologies for absence and substitutions received from Members.

2 Minutes of the Last Meeting (Pages 5 - 10)

To confirm and sign as a correct record, the minutes of the last meeting of the Committee, held on 13 February 2025.

3 Declarations of Interest

Councillors are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests or Non-Registerable Interests, and the nature of it, in relation to any item on the agenda.

4 Questions on Notice pursuant to Council Procedure Rule 38

Subject to providing two working days' notice, a Member of the Committee may ask the Chairman of the Committee a question on any matter in relation to which the Council has powers or duties which affect the Tendring District **and** which falls within the terms of reference of the Committee.

5 Report of the Internal Audit Manager - A.1 - Report on Internal Audit - January 2025 to March 2025 and the Internal Audit Strategy & Operational Plan 2025/26 (Pages 11 - 46)

To provide the Committee with a periodic report on the Internal Audit function for the period January 2025 – March 2025, as required by the professional standards and to seek approval of the Audit Committee for the 2025/26 Internal Audit Strategy & Operational Plan.

6 Report of the Internal Audit Manager - A.2 - Anti Fraud and Corruption Strategy & Fraud Risk Register (Pages 47 - 76)

To present to the Audit Committee an updated Anti-Fraud and Corruption Strategy and Fraud Risk Register.

7 Report of the Director (Finance & IT) - A.3 - Audit Committee Work Programme 2025/26 (Pages 77 - 84)

To present for approval the Audit Committee's proposed work programme covering the period April 2025 to March 2026

8 Report of the Director (Finance & IT) - A.4 - Table of Outstanding Issues (Pages 85 - 128)

To present to the Committee the progress on outstanding actions identified by the Committee along with general updates on other issues that fall within the responsibilities of the Committee.

9 Report of Director (Finance & IT) - A.5 - External Auditor's draft Audit Plan & Strategy for the year ending 31 March 2025 (Pages 129 - 162)

To present for consideration the External Auditor's Draft Audit Plan and Strategy for the year ending 31 March 2025.

10 Exclusion of Press and Public

The Committee is asked to consider passing the following resolution:

"That under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the consideration of Agenda Item 10 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A, as amended, of the Act."

11 Report of the Director (Finance & IT) - B.1 - Risk Based Verification Policy (Pages 163 - 172)

To seek the necessary annual approval of the Council's Risk Based Verification Policy.

Date of the Next Scheduled Meeting

The next scheduled meeting of the Audit Committee is to be held in the at Time Not Specified on Date Not Specified.

Information for Visitors

FIRE EVACUATION PROCEDURE

There is no alarm test scheduled for this meeting. In the event of an alarm sounding, please calmly make your way out of any of the fire exits in the hall and follow the exit signs out of the building.

Please heed the instructions given by any member of staff and they will assist you in leaving the building and direct you to the assembly point

Please do not re-enter the building until you are advised it is safe to do so by the relevant member of staff.

Your calmness and assistance is greatly appreciated.

**MINUTES OF THE MEETING OF THE AUDIT COMMITTEE,
HELD ON THURSDAY, 13TH FEBRUARY, 2025 AT 10.55 AM
IN THE TOWN HALL, STATION ROAD, CLACTON-ON-SEA, CO15 1SE**

Present:	Councillors Sudra (Chairman), Steady (Vice-Chairman) and Morrison
Also Present:	Emma Larcombe (External Auditor (KPMG)) and Jodie Preston (External Auditor (KPMG))
In Attendance:	Richard Barrett (Director (Finance and IT) & Section 151 Officer), Karen Hayes (Executive Projects Manager (Governance)), Ian Ford (Committee Services Manager), Craig Clawson (Internal Audit Manager), Maddie Adger (Leadership Support Manager) and Katie Koppenaal (Committee Services Officer)

61. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies for absences were submitted on behalf of Councillor Fairley and Councillor Platt (with no substitutions appointed).

62. MINUTES OF THE LAST MEETING

It was moved by Councillor Sudra, seconded by Councillor Steady and:-

RESOLVED that the Minutes of the meeting of the Committee, held on 30th January 2025, be approved as a correct record and be signed by the Chairman.

63. DECLARATIONS OF INTEREST

There were no declarations of interest by Councillors in relation to any item on the agenda for this meeting.

64. QUESTIONS ON NOTICE PURSUANT TO COUNCIL PROCEDURE RULE 38

On this occasion no Councillor had submitted notice of a question pursuant to Council Procedure Rule 38.

65. REPORT OF DIRECTOR (FINANCE & IT) - A.1 - STATEMENT OF ACCOUNTS 2023/24 AND ASSOCIATED PLANNING, ANNUAL AND YEAR END REPORTS OF THE EXTERNAL AUDITOR

The Committee considered a report of the Director (Finance & IT) (A.1) which presented for consideration and approval the following, to enable the final opinion on the accounts a value for money arrangements to be formally issued by the External Auditor:

- *The External Auditor's External Audit Plan & Strategy for the year ending 31 March 2024;*
- *The External Auditor's Annual Report for the year ended 31 March 2024;*
- *The External Auditor's Value for Money report 2023/24;*
- *The External Auditor's Year End Report for the year ended 31 March 2024;*

- *The Council's Statement of Accounts (including Annual Governance Statement) for 2023/24 for consideration and approval for publication by the backstop date of 28 January 2025.*

Members were informed that, in-line with the backstops dates previously discussed, the Council's External Auditor had substantially completed the necessary audit work for 2023/24, with their associated audit reports attached.

As set out in their reports, the External Auditor anticipated issuing a disclaimed opinion for 2023/24. Later in their reports and within the attached External Auditor's reports, the reason for the disclaimed opinion primarily related to the back stop dates.

Members were reminded that, the Council's Statement of Accounts for 2023/24 were attached, which reflected any necessary amendments agreed in consultation with the External Auditor.

In respect of the External Auditor's value for money commentary, in terms of two of the three associated strands of work (financial sustainability and improving economy efficiency and effectiveness) the External Auditor had confirmed that they had not identified any significant weaknesses. In terms of the third strand of work (governance) they had identified a weakness that primarily related to the known issue relating to the Spendells House capital project.

It was reported that the External Auditor had made a limited number of recommendations as highlighted within their reports, including those associated with the Spendells House project mentioned above. Management responses had been set out within the External Auditor's attached reports and updates against each recommendation would be presented to future meetings of the Committee.

Members were advised that subject to the Committee's consideration of the various attached reports, and approval of the Statement of Accounts for 2023/24 (including the Annual Governance Statements) it was proposed to publish the Accounts by the backstop date of 28 February 2025.

In respect of the required management representation letter included within the recommendations in the Officer's report, this was provided directly at the meeting to enable the Audit Committee to approve it along with authorising the Director for Finance & IT and the Audit Committee Chairman to sign it before being forwarded onto the External Auditor. Members noted that in the report, the External Auditor did not currently plan on requesting any specific representations over and above those areas normally covered by their 'standard' letter.

Members were informed of two adjustments required to the Statement of Accounts compared to the version included in the Agenda which were as follows:-

1. Additional text to be added to the Balance Sheet note on page 175-176 of the Agenda

"In preparing the figures for 2023/24, it is important to highlight an issue that has emerged relating to specialised assets that are valued at the 31 March 2024. The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 states that for specialised assets where no market exists, the current value should be interpreted as

the present value of the assets' remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. Under these circumstances, property, plant and equipment is measured at depreciated replacement cost (DRC). In terms of the assets held by the Council that fall within this category, these would broadly be leisure centres and public conveniences.

As highlighted within the Statement of Accounts, the Council employs an independent external valuer to determine the value of the Council's assets at the balance sheet date. A key element of the calculation reflects their associated professional guidance, which in respect of specialised assets includes the size and specification of a replacement building. In turn, a gross internal area (GIA) multiplied by a cost per square metre forms part of the underlying calculation of such values. It is understood that for 2023/24, the gross external area (GEA) was used rather than the GIA.

The value of the assets subject to the above is £20.355m (based on GEA) which has been reflected within the Council's balance sheet as at the 31 March 2024. Based on further exploratory work as part of the associated external audit process, it is unclear as to the overall impact of the above on the carrying value of the assets and the revaluation reserve.

In the context of the above, it has not been possible to amend the balance sheet values with evidenced based figures given the time constraints on publishing the Statement of Accounts for 2023/24 by the statutory deadline of the 28 February 2025 highlighted earlier. For transparency and completeness the intention of this note is to draw the reader's attention to this issue, with work remaining on-going to inform the balance sheet figures for 2024/25 that will be published later in 2025. This matter has also been highlighted within the Annual Governance Statement that forms part of these Statement of Accounts."

2. Additional text to be added to the Annual Governance Statement under "Other Governance Issues" on page 274 of the Agenda

"As highlighted within the Narrative Statement, an issue emerged during the External Audit of the 2023/24 accounts that relates to the balance sheet values of specialised assets that are required to be valued at depreciated replacement cost (DRC) as specified by The Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

It is acknowledged that the value of such assets may not have been correctly reflected within the Council's balance sheet as at the 31 March 2024 but it has not be possible to amend the balance sheet values with an adequately evidenced based figure given the time constraints on publishing the Statement of Accounts for 2023/24 by the statutory deadline of the 28 February 2025. This is an important governance matter and the Council is exploring options with the aim of addressing the issue within future year's accounts."

Emma Larcombe of KPMG, the Council's outgoing Appointed Auditor, led the Committee through five attachments to the Director's report which were:-

Attachment 1 – External Auditor's External Audit Plan & Strategy for the year ending March 2024.

Attachment 2 – External Auditor’s Annual Report for the year ended 31 March 2024.

Attachment 3 – External Auditor’s Value for Money Report (2023/24)

Attachment 4 – External Auditor’s Year End Report for the year ended 31 March 2024.

Attachment 5 – The Council’s Statement of Accounts 2023/24 for Publication (Including Annual Governance Statement).

<u>Summary of Questions asked by Members</u>	<u>Summary of Answers Received</u>
Are the fees going to be set by the PSAA and are you going to use that as a guideline?	[Ms Larcombe] The fees are discussed with the Section 151 Officer and then submitted to the PSAA and have done so with no dispute.
Can you guarantee there will be no backlogs?	[Ms Larcombe] We are already planning for 2024/25 and can assure you that any backstop dates will be met.
Can you outline the importance of materiality?	[Ms Larcombe] There are many factors to determine what level to assess the accounts to. This includes an assessment on expenditure risk.
Are there any other authorities that have been/are going through this audit process?	[Ms Larcombe] The issues encountered are specific to Tendring District Council, such as PPE.
Once the Property Plant Evaluation has been completed, will things become easier?	[Richard Barrett] That is correct.

It was moved by Councillor Sudra, seconded by Councillor Steady and:-

Unanimously **RESOLVED** that, in respect of the 2023/24 Statement of Accounts and the associated External Auditor Reports relating to the year ended 31 March 2024, the Audit Committee:

- (a) Notes the contents of the External Auditor’s reports attached, including the value for money commentary set out therein;
- (b) Endorses the management responses set out within the attached External Auditor’s reports and requests Officers to report the progress against each item to future meetings of the Committee;
- (c) Approves the management representation letter relating to the year ended 31 March 2024;
- (d) Authorises the Director Finance & IT and the Audit Committee Chairman to sign the management representation letter relating to the year ended 31 March 2024;

- (e) Approves for publication the audited Statement of Accounts for 2023/24, as amended and approves for signing, the Annual Governance Statement set out therein, subject to any further minor amendments that may be agreed with the External Auditor; and
- (f) In respect of (e) above, authorises the Director (Finance and IT), in consultation with the Audit Committee Chairman to make any such adjustments that may be necessary before publication.

The meeting was declared closed at 11.27 am

Chairman

This page is intentionally left blank

AUDIT COMMITTEE

27 MARCH 2025

REPORT OF INTERNAL AUDIT MANAGER

A.1 REPORT ON INTERNAL AUDIT – JANUARY 2025 TO MARCH 2025 AND THE INTERNAL AUDIT STRATEGY AND OPERATIONAL PLAN 2025/26

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a progress report on the Internal Audit function for the period January 2025 – March 2025 and to seek approval of the Audit Committee for the Internal Audit Strategy and Operational Plan 2025/26.

EXECUTIVE SUMMARY

- A total of four audits have been completed since the previous update in January 2025. Eight audits are still in fieldwork. The audits completed this period are Housing Benefit, Main Accounting System and Budgetary Control, Corporate Governance and Accounts Payable. All received a satisfactory opinion of Adequate or Substantial Assurance.
- The Global Internal Audit Standards require Internal Audit functions to have a Internal Audit Strategy in place which not only sets out the annual plan but also looks to the future. A new Internal Audit Strategy and Operational Plan for 2025/26 has been developed for the Audit Committee to review and approve. The strategy includes a three year plan with provisional audits for future years which can be adjusted each year dependant on the priorities of the Council. It is designed to be resilient and flexible with the ever changing regulatory and external environment.
- The 2025/26 Operational Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks, horizon scanning from other government agencies and best value standards from the Ministry of Housing, Communities and Local Government (MHCLG). The plan has been collated based on the information gained from liaising with Directors, Heads of Service and entire departments to target areas that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or if the function has not been audited for a substantial period of time due to it being considered of lower risk historically.

RECOMMENDATION(S)

It is requested that the Audit Committee agree the following;

- (a) The periodic update and the action tracking report be considered; and**
- (b) consider and approve the proposed Internal Audit Strategy and Operational Plan for the 2025/26 financial year.**

REASON(S) FOR THE RECOMMENDATION(S)

The above recommendations are required to ensure that the Audit Committee agree and accept the contents of the report.

ALTERNATIVE OPTIONS CONSIDERED

The Audit Committee are required to review and adopt an Internal Audit Strategy and Operational Plan. Without one there would be no transparency around the work completed by the Internal Audit function.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Provision of adequate and effective internal audit helps demonstrate the Council’s commitment to corporate governance matters. It also links in with the Council’s key priorities of ‘Delivering high quality services’ and having ‘Strong finances and governance’.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

The Council has a statutory responsibility to maintain adequate and effective internal audit.

The Accounts and Audit Regulations 2015 make it a statutory requirement that the Council must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal audit standards and guidance.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

The Internal Audit function is operating within the budget set. Recruitment and retention remains to be the biggest risk of not being able to deliver the Internal Audit Plan. This is continuously monitored and the Audit Committee are updated with any issues accordingly.

USE OF RESOURCES AND VALUE FOR MONEY

External Audit expect the following matters to be demonstrated in the Council’s decision making:

- A) *Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;*
 B) *Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and*
 C) *Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.*

As such, set out in this section the relevant facts for the proposal set out in this report.

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Budgets are reported to the Audit Committee annually to review. The Internal Audit Manager regularly monitors those budgets throughout the year to ensure that they remain adequate and do not overspend.
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	The Internal Audit Charter sets out the roles and responsibilities of both the Audit Committee and the Internal Audit function. The powers of the Audit Committee and the role of Internal Audit is also set out within the Councils Constitution.
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	Internal Audit continues to monitor new working practices in order to streamline processes and improve performance and potentially reduce costs. Internal Audits undertaken may support services in doing the same and potential reduce overall costs to the Council.

MILESTONES AND DELIVERY

Review of recommendations and decision to be made on 27th March 2025 by the Audit Committee

ASSOCIATED RISKS AND MITIGATION

Review of the functions of the Council by Internal Audit assists in identifying exposure to risk, and its mitigation.

As this report is a periodic update report, there is no exposure to strategic risks within the Councils Risk Management Framework. There is however an operational risk of being unable to complete and deliver the internal audit plan and be unable to provide the Head of Internal Audit Annual Opinion.

OUTCOME OF CONSULTATION AND ENGAGEMENT

Internal Audit activity assists the Council in maintaining a control environment that mitigates the opportunity for crime.

During the course of internal audit work issues regarding equality and diversity, and health inequalities may be identified and included in internal audit reports.

There is no specific effect on any particular ward.

EQUALITIES

There are no equality impacts directly associated with this progress report. However they will need to be considered as part of any improvement / remedial actions undertaken by the relevant Service where necessary.

SOCIAL VALUE CONSIDERATIONS

The following report does not have a direct social value impact as set out within the template guidance.

IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2030

The following report does not have a direct environmental impact as set out within the template guidance.

OTHER RELEVANT IMPLICATIONS

Set out what consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are then set out below.

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder	N/A
Health Inequalities	N/A
Area or Ward affected	N/A

ANY OTHER RELEVANT INFORMATION

N/A

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Principal nine of the Global Internal Audit Standards require the Internal Audit Manager to “Plan Strategically” and therefore must implement the following: -

- The Chief Audit Executive (CAE) must develop and implement a strategy for the Internal Audit function the support the strategic objectives and success of the organisation and aligns with the expectations of the board, senior management and other key stakeholders.
- An internal audit strategy is a plan of action designed to achieve a long-term or overall objective. The internal audit strategy must include a vision, strategic objectives, and supporting initiatives for the internal audit function. An internal audit strategy helps guide the internal audit function toward the fulfilment of the internal audit mandate.
- The chief audit executive must review the internal audit strategy with the board and senior management periodically.

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.

N/A

INTERNAL AUDIT PROGRESS 2025/26

A total of four audits have been completed since the previous update in January 2025. Eight audits are still in fieldwork. The audits completed this period are Housing Benefit, Main Accounting System and Budgetary Control, Corporate Governance and Accounts Payable. All received a satisfactory opinion of Adequate or Substantial Assurance.

The Internal Audit Manager continually risk assesses the progress of the plan against the level of resource available throughout the year to determine whether a measured annual assurance opinion can be provided based on the level of work complete. A determination is then made as to whether audit days need to be procured to support the delivery of the plan.

In order to provide the Head of Internal Audit Annual Opinion at the June 2025 Audit Committee, it is important that the following audits are complete as they form part of the Councils key systems. The audits are; Procurement, Housing Repairs and Maintenance, Accounts Receivable, Payroll and Health & Safety. All are currently in fieldwork and close to completion.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. All satisfaction surveys are yet to be returned from the four audits complete in this period.

Resourcing

Internal Audit currently has an establishment of 4 fte posts with access to a third party provider of Internal Audit Services for specialist audit days as and when required. We currently have an Audit Technician post vacant.

Outcomes of Internal Audit Work

The standards require the Internal Audit manager to report to the Audit Committee on significant risk exposures and control issues. Since the last report four audits have been completed and the final report issued. The Public Sector Internal Audit Standards require the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Total for 2023/24 Plan	
Substantial		2	4	
Adequate		2	13	
Improvement Required		0	1	
Significant Improvement Required		0	0	
No Opinion Required		0	2	Two consultative engagement in 2025/26 to date

For the purpose of the colour coding approach, both the substantial and adequate opinions are shown in green as both are within acceptable tolerances.

Issues arising from audits completed in the period under review receiving an 'Improvement Required' opinion and requiring reporting to Committee are: -

- **There were no significant issues arising from the four audits completed in the period.**

Management Response to Internal Audit Findings – There are processes in place to track the action taken regarding findings raised in Internal Audit reports and to seek assurance that appropriate corrective action has been taken. Where appropriate follow up audits have been arranged to revisit significant issues identified after an appropriate time.

The number of high severity issues outstanding was as follows: -

Status	Number	Comments
Overdue more than 3 months	4	Long term actions reported to the Audit Committee periodically (Appendix B)
Overdue less than 3 months	0	
Not yet due	0	

Update on previous significant issues reported

All previous significant issues are now provided within Appendix B of this report.

DEVELOPMENT OF THE AUDIT PLAN

The Global Internal Audit Standards require Internal Audit functions to have an Internal Audit Strategy in place which not only sets out the annual plan but also looks to the future. A new Internal Audit Strategy and Operational Plan for 2025/26 has been developed for the Audit Committee to review and approve. The strategy includes a three-year plan with provisional audits for future years which can be adjusted each year dependant on the priorities of the Council. It is designed to be resilient and flexible with the ever changing regulatory and external environment.

The 2025/26 Operational Plan has been developed using a risk based approach, taking account of the Councils Corporate Objectives, Corporate Risks, horizon scanning from other government agencies and best value standards from the Ministry of Housing, Communities and Local Government (MHCLG). The plan has been collated based on the information gained from liaising with Directors, Heads of Service and entire departments to target areas that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or if the function has not been audited for a substantial period of time due to it being considered of lower risk historically.

The Internal Audit Plan is produced taking into account the requirements as set out in the Global Internal Audit Standards and the current Internal Audit Charter. The Internal Audit Team continue to aspire to add value by targeting particular areas of the Council that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or change through new innovative ways of working.

Risk Management is also an aspect that requires consideration when developing an audit plan. Although risk registers are considered as part of this process, leadership, managers and officers consider risk every day in the work they do, therefore interviews with Officers at all levels are key when reviewing whether risks are considered in decision making.

Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Therefore risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk). All audits will look at adverse impact and potential opportunities and all significant areas are reported to the Audit Committee periodically.

Discussions have been held with Management Team members individually and collectively. The feedback from Management Team has been taken into account and incorporated within the plan presented to the Committee. The Committee now has the opportunity to input into the draft plan provided.

Other factors also considered when developing the plan are;

- The risk maturity of the organisation;
- The need to use specialists e.g. IT Auditors
- Contingency time to undertake ad-hoc reviews and fraud investigations
- Having the right balance of different reviews e.g Systems and risk based vs added value and consultative assessments

INTERNAL AUDIT RESOURCE REQUIREMENTS

The establishment for the Internal Audit function is currently four full time equivalents (fte). The team currently holds a vacancy for a full time Audit Technician post.

The proposed plan has been developed based on the current resource available as well as giving consideration to the continued oversight of the Fraud and Compliance team. The number of audit days proposed is 400. The plan has been created with the following in mind;

- A leaner more practical audit plan has been developed using a risk based approach, knowledge of all operational processes within service areas, historical assurance opinions and an understanding of where procedural changes have occurred around the Council.
- A hybrid structure of both internal and external resource will provide additional resilience within the team as well as provide different experience, skills transfer for more junior staff and access to a hub of audit resource. The combination of staff between Internal Audit and Fraud and Compliance has added an extra level of resilience and allowed both teams to share knowledge and skills in different areas.
- Emphasis on adding value in delivering objectives by providing more consultative work and advice on upcoming initiatives, projects, programmes and emerging risks.

INTERNAL AUDIT OPERATIONAL PLAN DETAIL

The plan provides an outline of the work currently proposed to be undertaken during the 2025/26 financial year. In order to continue to provide a proactive and flexible approach, the plan should be considered indicative of the work currently intended. The Internal Audit Plan needs to be flexible to ensure that Internal Audit resources are directed where they are most needed, and add as much value as possible to the organisation.

The plan will be kept under review during the year, in consultation with the Council's senior management, and taking account of changes to the Council's priorities, operations and risk. Changes to the plan will be brought to the attention of the Committee for approval.

The plan is considered to be in effect a rolling programme of work, rather than being specific to one year, and audits scheduled, but incomplete at the end of any financial year roll forwards and are completed in the new financial year.

A detailed breakdown of the Audit Plan is included in Appendix C.

As referred to above, mechanisms exist to allow amendment to the plan and if any issues arise regarding the risks in the current Corporate Risk Register, or new risks emerge including any identified by the Council's external auditors, then plan adjustments will be considered.

The level and range of coverage is considered sufficient for the Internal Audit Manager to be able to provide an annual opinion on the Council's assurance framework.

APPENDICES

Appendix A – Internal Audit Progress Report 2024/25
Appendix B – Action Tracking Report
Appendix C – Internal Audit Strategy and Operational Plan 2025/26

REPORT CONTACT OFFICER(S)

Include here the Name, Job Title and Email/Telephone details of the person(s) who wrote the report and who can answer questions on the content.

Name	Craig Clawson
Job Title	Internal Audit Manager
Email/Telephone	cclawson@tendringdc.gov.uk 01255 686531

This page is intentionally left blank

Tendring District Council Internal Audit			
2024/25 Internal Audit Plan Progress Report			
Audit Title	Status Mar 2024	Audit Scope Summary	Audit Opinion
Key Systems / Key Financial Risk Areas			
Procurement	Fieldwork	To review the Councils compliance with procurement rules for works or services of value which require a tender exercise	To be confirmed
Housing Benefits	Fieldwork	To ensure that the control framework in place when processing housing benefit claims is strong and all legislative and regulatory requirements are met by the service	Substantial Assurance
National Non Domestic Rates	Complete	To ensure that the control framework in place when processing business rate applications is strong and all legislative and regulatory requirements are met by the service	Substantial Assurance
Main Accounting System Budgetary Control	Allocated	To review processes and procedures relating to the management of the Councils financial accounting system and ensure that all legislative and regulatory requirements are met. This includes budgetary control across all departments within the Council	Adequate Assurance
Corporate Governance	Fieldwork	To ensure that the Council have a strong Corporate Governance framework in place. The CIPFA Code of Corporate Governance is used as a guide and comparison. The Best Value Standards and Intervention Statutory Guide will also be considered in this review.	Substantial Assurance
Council Tax	Complete	To ensure that the control framework in place when processing Council Tax applications is strong and all legislative and regulatory requirements are met by the service. The new Citizens Access system to be included.	Adequate Assurance

Payroll	Fieldwork	To review all procedures and internal controls relating to payroll and the processing of employees and members pay. New HR / Payroll system I-Trent to be considered in this review.	To be confirmed
Treasury Management	Complete	A full review of the internal controls and procedures relating to investing Council monies as well as short and long term borrowing	Substantial Assurance
Accounts Receivable	Fieldwork	To review the internal controls and processes relating to the Councils Accounts Receivable system and provide assurance that all processes are managed appropriately.	To be confirmed
Accounts Payable	Fieldwork	To review the internal controls and processes relating to the Councils Accounts Payable system and provide assurance that all processes are managed appropriately.	Adequate Assurance
Financial Resilience – Use of Resources	Complete	To assess the resilience of the Councils agreed budget and ensure resources are being used as efficiently as possible in order to mitigate and plan for the agreed budget pressures	Adequate Assurance
Health and Safety	Fieldwork	To review the Council's Health and Safety processes and ensure that all departments are adequately monitored and advised in all H & S matters in line with the Council's legislative and regulatory requirements.	To be confirmed

Other Services / Systems			
Disabled Facilities Grants	Complete	Assessment of the management of Disabled Facilities Grants and review of all related internal controls.	Improvement Required
Social Housing Regulation Bill – Implementation Plan	Fieldwork	To support the service in implementing any new requirements from the bill and to help reinforce any processes that should already be in place.	To be confirmed
Housing Repairs and Maintenance	Fieldwork	To assess the internal control environment for the reactive maintenance for the in house team and the external contractors undertaking works	To be confirmed
Public Conveniences	Complete	To assess the internal control environment for the maintenance of public conveniences across the district.	Adequate Assurance

Levelling Up Fund	Allocated	To provide support and advice during all projects / initiatives related to the Levelling Up Fund.	Consultative
Crematorium / Burials	Complete	Review the processes and procedures within the Crematorium / Burials service and identify the risks and issues which would prevent the service from meeting its overarching responsibilities and targets.	Adequate Assurance
Resource Management	Fieldwork	To liaise with Human Resources and each department to determine the risks which would present capacity and resource management issues and identify how such issues are mitigated.	To be confirmed
Parking Services	Complete	A review of all parking income and the controls and processes relating to the collection, monitoring and banking of income.	Adequate Assurance
Housing Allocations – Follow Up	Fieldwork	Follow Up on recommendations made from the previous audit and reassess key areas of the business.	To be confirmed
Private Sector Housing	Complete	To review the internal control environment and managed processes relating to private sector housing.	Adequate Assurance
Freeport East	Allocated	Days allocated to support the Council in meeting the objectives related to Freeport East. The Heads of Internal Audit for all areas across the country where a Freeport has been agreed are due to meet later in the year	Consultative
Environmental Health	Complete	Environmental Health is a statutory function of local authorities and covers a wide and varied area of activity including food safety, pollution, animal welfare and licencing of certain trades to name a few. The review will assess the processes within some of the areas highlighted above.	Adequate Assurance
IT Audit			
Identity and Access Management	Complete	To assess the access control environment across the Councils network and major systems used by different departments.	Adequate Assurance

IT Governance	Complete	PSIAS expectation that this will be covered each year	Adequate Assurance

Status Key

Unallocated	Audit in Audit Plan, but no work undertaken yet
Allocated	Audit is being scoped / has been scoped and awaiting commencement
Fieldwork	Audit in progress
Draft Report	Audit fieldwork complete, but Final Report not yet issued
Complete	Final Report issued and audit results reported to Audit Committee
Deferred	Audit was in Audit Plan, but will now be undertaken in a later year. Deferred audits agreed by Audit Committee
Delayed	Valid request from function being audited for audit to be undertaken later than proposed

Audit Title	Finding	Finding Issue / Risk Identified	Agreed Action Description	Finding	Due Date	Service Response	Internal Audit Status
Housing Repairs and Maintenance	05 - Tenancy Information	<p>Every housing unit should have an identified tenant, or clearly marked as void if between tenants.</p> <p>Updated records are necessary to ensure the customer service team know they are dealing with the tenant at the address and enable any security checks needed as well as complying with any data requirements.</p> <p>There is currently no regular updating of tenant details if they move in or out. Similarly, it is understood that initially that tenant details needed to be completed manually during initial rollout of software. As a consequence, there is limited confidence that all addresses have a tenant listed and there may be a few rogue overlooked blank entries in the database, where no visits have been needed.</p>	<p>Liaise with IT to identify a data linkage method where existing records held on tenancy system can be exported to Housing Repairs software to ensure the records are current.</p>	Major	31/10/2022	<p>Data integration work is still ongoing with Oneserve. All requirements for data has been set up and provided from TDC and delays continue with Oneserve to impement the integrations. This is being chased frequently and should be resolved with full implementation in a few weeks.</p>	Still ongoing. Continue to monitor.
Housing Repairs and Maintenance	08 - Lack of Clear Record Keeping	<p>All works should show a clear audit trail from initial contact to final payment, and all stages between.</p> <p>In a case brought to the Housing Ombudsman against the council, one major criticism was absence of clear and comprehensive record keeping. This is also crucial in any legal defence against growing Housing Disrepair Claims.</p> <p>Although some measures have been brought in, it is considered there is still room for some improvement.</p> <p>Examples include:</p> <ul style="list-style-type: none"> - Lack of notes for any calls received - Quotes and relevant correspondence not attached to OneServe record - Evidence of chasing overdue works - Communications to third parties not always available to other officers - Plethora of locations where documentation is stored - e-mails, drives, iAuditor, photos on drive and OneServe, calendar appointments, invoices, etc. - No central access to invoices if key officer absent <p>Some elements on software not completed</p>	<p>New procedure and process to be implemented so that information is captured centrally.</p> <p>This will be examined as part of Housing Repairs software review to identify what options are available and any subsequent officer training carried out.</p>	Major	31/10/2022	<p>A working group which is being led by Corporate and Assistant Corporate Director has been set up in response to a definitive list of our requirements being compiled ensuring the information gathered is fit for purpose and in reaction to developing needs following the introduction of a new regulatory regime and charter placing a much greater emphasis on accurate data availability through robust record keeping.</p> <p>Additionally, IT have confirmed that the new responsive work flow has various stages which captures all relevant information from a job's creation to invoicing. It also records failed access and can be tracked on times and dates when access was gained and failed. This data will be able to feed into the central asset management system (Lifespan) being set up through a separate project.</p>	<p>Continue to monitor whether the working group remains in place until the oneserve system is fully operational. To become a regular review as part of the annual audit process.</p> <p>No further action at this stage</p>
Recycling and Waste	Garden Waste Income	<p>The Garden Waste service has significantly grown since the introduction of the function.</p> <p>In order to effectively manage and monitor the service, several operational controls should be place.</p> <p>Currently, there is no master list to confirm total number of garden waste customers. This has lead to a lack of reconciliations, which essentially, prevents the team from checking income against customer figures.</p> <p>In line with the above, invoices are unclear which has made it challenging to establish charges for individual bin collections. Therefore, the team are uncertain whether the Council are being correctly charged, per bin.</p>	<p>Garden waste data to be transferred to Firmsteps, in order to verify total number of customers.</p> <p>Transparency of garden waste invoices also to be sought, to enable confirmation of charges.</p> <p>Once complete, full monthly reconciliations to be carried out and checks by management to be evidenced.</p>	Major	30/09/2023	<p>Analysis has been undertaken to determine the level of income that needs to be recovered due to garden waste being collected from properties that have not renewed or paid their subscriptions.</p> <p>Veolia has been tasked to stop collecting from 85 properties.</p> <p>First batch of letters gone out. Has had a 31% response. Second batch expected to be sent in April.</p> <p>The Assistant Director for the service will be attending the Audit Committee to provide a more detailed update.</p>	<p>Currently in third phase of collection period</p> <p>Continue to monitor and await final outstanding balance before final decisions made.</p>

Careline	Strategic Direction of Careline	<p>In 2021, Careline won the contract to provide local Careline out of hours coverage for Essex County Council (managed by Provide), using it's established team and building on work already undertaken for them.</p> <p>During the timescale of the audit, it became apparent that the service struggled to provide the expanded contractual service required and consistently underperformed call response times, with one of the major contributing factors being the availability of trained officers.</p> <p>Awareness of the situation extended to senior managers and led to discussions at a higher level, including contributions from Legal, Partnerships and Management Team.</p>	<p>For the short term, the service will concentrate on exiting the Provide contract in a professional manner, including continuing liaison meetings and ensuring all data and GDPR obligations are carried out as required.</p> <p>Subsequently, the service will be reviewed and future strategic direction decided. Current options include a pivot to organic growth from private users, smaller contracts and continuing to work with Provide in other capacities. There are also options to explore, including integration of some healthcare services.</p> <p>Whatever options are chosen, one of the first targets will be renewed accreditation with the industry standards, TSA.</p>	Major	30/09/2023	Work remains ongoing to implement the approach approved at a recent meeting of Cabinet.	Service review ongoing. Continue to monitor.
Project Management	Lack of periodic project updates	<p>Major projects should report progress against time, budget and potential upcoming issues.</p> <p>While it can be expected that there is communication between the project manager and line manager, not all information is received by senior management.</p> <p>The use of exception based reporting is not suggested, mainly as there are no firm parameters what constitutes an exception and whether project managers would report them if they thought (rightly or wrongly) they could recover the situation in future.</p> <p>At present there is no regularised reporting arrangements which covers all projects performance</p>	<p>Updates and progress reporting requirements of projects to be reviewed and specified by the new Project Board.</p> <p>The review will take account of regularity of reporting, information required from project leads and format of reporting.</p> <p>Reporting to be proactive in nature, and also consider use of system reports as applicable.</p>	Major	01/11/2024		Investment in developing a project delivery unit agreed by Cabinet in July 2024. The responsibility for managing major projects and reporting against budget and progress will become part of the teams responsibilities.
Project Management	Failure to complete projects on time and budget	<p>The council completes multiple projects across many departments each year. While some are successful and successfully complete against time, budget and purpose, there are multiple examples of those which have failed to do so.</p> <p>Given the scale of upcoming Levelling Up works (as well as need to achieve budgets generally), the ability to deliver against targets must be of high importance.</p> <p>There is no one element which unites the less successful projects, there are repeat factors which give an indication. These include lack of sufficient preparation, incorrect specifications, variations, inadequate contingency and inaccurate estimates. It is acknowledged that each project is unique and some instances these additional costs could not be accounted for initially.</p>	<p>Officers to be reminded to follow the requirements of the Constitution and ensure all steps are followed, including post-project review and adoption of lessons learnt.</p> <p>It was agreed that large scale changes to the Constitution were not required, but officers need to be aware and follow them.</p>	Major	01/11/2024		A formal response will be sent to all officers setting out the rules, regulations and standards when managing projects will be sent out by the project lead once appointed.



Tendring District Council

Internal Audit Strategy and Operational Plan 2025/26

Audit Committee

Prepared by: Craig Clawson – Internal Audit Manager

Date: 27 March 2025

Contents

- 01 Scope and Purpose of Internal Audit
- 02 Internal Audit Strategy
- 03 Development of the Operational Plan 2025/26
- 04 Proposed Operational Plan 2025/26

A1 Three Year Rolling Programme

Page 28



Scope and Purpose of Internal Audit

This report establishes the Internal Audit Strategy (Strategy) and proposed Operational Plan (Plan) for 2024/25, which details how the Council will meet its statutory requirements for Internal Audit.

IA's Role

The mission of the Internal Audit function is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The purpose of the Internal Audit function is to: -

- provide independent, objective assurance to the Council on its operations and control environment
- deliver an effective, cost effective, proactive and innovative function that meets the needs of the Council, and is aligned with its strategies, objectives and risks.
- add value by assisting management to improve the delivery of Council objectives and operations through the evaluating and challenging the effectiveness of risk management, control and governance processes

add value by assisting management to improve the delivery of Council objectives and operations by the provision of consultancy and best practice advice.

IA Plan

Completion of the audits within the Internal Audit Plan 2025/26 should be used to help inform the Council's Annual Governance Statement within its audited financial statements.

Objective

Senior Management has responsibility for maintaining a sound system of internal control. Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Internal Audit also has an independent and objective consultancy role to help line managers improve risk management, governance and control.

The Council's Internal Audit Service is delivered following a regulatory framework comprising:

- The Local Government Finance Act 1972,
- The Accounts and Audit Regulations 2015; and
- The Global Internal Audit Standards (GIAS).





Internal Audit Strategy

This Strategy recognises that it is management's responsibility to establish and maintain a sound internal control system and ensure that risks are appropriately managed. Internal audit work aims to establish areas requiring improvement and recommend solutions to enable the Councils to achieve its objectives.

The Strategy and planning process reflects that the control environment is constantly changing, requiring continuous review and re-evaluation to ensure that emerging risks are identified, assessed, and included as appropriate in the audit plan. Specifically, recognising the unprecedented challenges facing Public Sector finances, the strategy must have in built flexibility to consider:

- The most significant risks to the achievement of the Council's objectives;
- New areas of activity;
- Issues of local significance and importance;
- Changing issues and priorities;
- Changes to models for service delivery and partnership working; and
- The impact of changes on existing control structures.

The purpose of the Strategy is to establish an approach that will enable internal audit to be responsive to change and managed in a way that will facilitate:

- An understanding of assurance needs to enable the provision to Members and management of an overall opinion each year on the Council's risk management, control and governance framework, to support the Annual Governance Statement within the audited financial statements;
- Internal Audit of the Council's risk management, control and governance systems through an approach which assesses risks to Council objectives and prioritises internal audits accordingly;

Internal Audit Strategy (continued)

- The identification of internal audit resources required to deliver a service which meets the GIAS requirements and achieves the necessary level of audit coverage to enable an opinion to be given on the Council's control environment;
- The identification of other sources of assurance from other assurance providers which can be relied upon to inform the focus of internal audit activity;
- Identification of responsibilities for providing assurance where services are delivered in partnership.

The Strategy and internal audit work programme make provision for:

- Sufficient coverage of all significant financial systems to provide the necessary audit assurance;
- New systems and emerging high-risk areas;
- Cross-cutting reviews for a selection of corporate themes which link to the Corporate Plan and Corporate Risk Register;
- Support for corporate governance, with particular focus on governance issues identified in the Council's annual governance statement, ensuring that proposed actions are taken;
- Monitoring the implementation of internal audit agreed actions; and
- An element for a contingency to enable the audit service to provide ad hoc advice and to respond to management requests for support.





Development of the Operational Plan for 2025/26

The 2025/26 Audit Plan has been developed using a risk-based approach, taking account of the Councils Corporate Objectives, Corporate Risks, horizon scanning from other government agencies and best value standards from the Department of Levelling Up, Housing and Communities (DLUHC). A key requirement of Internal Audit is to support the organisation in achieving its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Part of this process is to translate the Councils key themes within its Corporate Plan into key operational activities that can be audited and measured to be able to challenge and test processes and controls and provide a satisfactory level of assurance over a diverse service area.

The Internal Audit Plan is produced taking into account the requirements as set out in the Public Sector Internal Audit Standards and the current Internal Audit Charter. The Internal Audit Team continue to aspire to add value by targeting particular areas of the Council that may benefit from an independent review of processes and procedures to determine potential efficiency gains, improved technology / software requirements or change through new innovative ways of working.

Risk Management is also an aspect that requires consideration when developing an audit plan. Although risk registers are considered as part of this process, leadership, managers and officers consider risk every day in the work they do, therefore interviews with Officers at all levels are key when reviewing whether risks are considered in decision making.



Development of the Operational Plan for 2024/25 (Continued)

Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Therefore, risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk). All audits will look at adverse impact and potential opportunities and all significant areas are reported to the Audit Committee periodically.

Discussions have been held with Management Team members individually and collectively. The feedback from Management Team has been taken into account and incorporated within the plan presented to the Committee. The Committee now has the opportunity to input into the draft plan provided.

Other factors also considered when developing the plan are;

- The risk maturity of the organisation;
- The need to use specialists e.g. IT Auditors
- Contingency time to undertake ad-hoc reviews and fraud investigations
- Having the right balance of different reviews e.g. Systems and risk-based vs added value and consultative assessments

The internal audits to inform the proposed 2025/26 Operational Plan are presented on the next page.

Operational Plan 2025/26

An overview of the Operational Plan 2025/26 is set out below:

Auditable area (Key Systems)	Department and Link to the Corporate Plan	Notes	Audit Sponsor	Indicative Days	Associated Inherent Risk Categories
Procurement	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	To review the Councils compliance with procurement rules specifically relating to the ordering process.	Director of Law and Governance	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Housing Benefits	Corporate Services Financial Sustainability and Openness	Different Techniques involved. Likely to include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises until Universal Credit is adopted.	Director of Finance and IT	15	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Regional Non Domestic Rates	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises. Analysis of Legislation changes and pooling arrangements may also be required	Director of Finance and IT	15	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Main Accounting System Budgetary Control	Corporate Services Financial Sustainability and Openness	To review the Councils Main Accounting System which includes management accounting processes and budget monitoring and reporting	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial
Corporate Governance	Corporate Services Pride in our area and services to residents	Given the recent changes introduced from Government - how the Councils adapted to these. Roles and responsibilities re-defined, customer feedback/surveys satisfaction measures.	Director of Law and Governance	10	<ul style="list-style-type: none"> Reputation General Governance

Operational Plan 2025/26 (continued)

An overview of the Operational Plan 2025/26 is set out below:

Auditable area (Key Systems)	Department and Link to the Corporate Plan	Notes	Audit Sponsor	Indicative Days	Associated Inherent Risk Categories
Council Tax	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	Different Techniques involved. To include self-assessment, Root cause analysis / Data Analytics and Assurance Mapping exercises.	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Payroll	Corporate Services Financial Sustainability and Openness	To undertake a full review of the Councils new HR / Payroll system and ensure that all expected processes and controls have been fully implemented.	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Treasury Management	Corporate Services Financial Sustainability and Openness	To review how the Council strategies for the best use of funds through maintaining debt and optimising investment returns while taking on an acceptable level of risk.	Director of Finance and IT	5	<ul style="list-style-type: none"> Financial General Governance and Fraud
Accounts Receivable	Corporate Services Financial Sustainability and Openness	To review the processes and controls in place for raising invoices relating to monies owed to the Council and collecting the money owed in an expected timeframe.	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial
Accounts Payable	Corporate Services Pride in our area and services to residents	To review the processes and controls in place for paying suppliers for goods and services in a timely manner. This will be undertaken in line with relevant ordering processes.	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial
Health and Safety	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	Spot checks on service areas to ascertain compliance with H & S recommendations	Director of Finance and IT	5	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud

Operational Plan 2025/26 (continued)

An overview of the Operational Plan 2025/26 is set out below:

Auditable area (Other Systems)	Department and Link to the Corporate Plan	Notes	Audit Sponsor	Indicative Days	Associated Inherent Risk Categories
Housing Strategy and Homelessness	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	To review the Councils approved Housing Strategy and assess compliance with related legislation and regulations and test the effectiveness of the strategy. The audit will also include coverage of homelessness processes and procedures and assess the increasing costs to the Council.	Director of Operations and Delivery	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Housing Repairs and Maintenance	Corporate Services Financial Sustainability and Openness	To assess the internal control environment for the reactive maintenance for the in house team and the external contractors undertaking works.	Director of Operations and Delivery	15	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Planning Policy & Local Plan	Corporate Services Championing our local environment	To review and understand the Councils Planning Policy arrangements and provide assurance over the processes and procedures in place for delivering the plan in a systematic way.	Director of Planning	10	<ul style="list-style-type: none"> Financial General Governance and Fraud
Electoral Services	Corporate Services Financial Sustainability and Openness	To review processes and procedures in place regarding the electoral process. The scope will particularly review the processes proposed for the upcoming Mayoral Elections.	Director of Law and Governance	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Princes Theatre	Corporate Services Pride in our area and services to residents	To assess all operating activities relating to the Princes Theatre, including the management of the bar and stock control arrangements.	Director of Operations and Delivery	10	<ul style="list-style-type: none"> Financial
Environmental Services	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	To review processes and controls within specific areas of Environmental Health. This is a diverse area of expertise and therefore the scope will cover elements of environmental health within the time available.	Director of Operations and Delivery	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud

Operational Plan 2025/26 (continued)

An overview of the Operational Plan 2025/26 is set out below:

Auditable area (Other Systems)	Department and Link to the Corporate Plan	Notes	Audit Sponsor	Indicative Days	Associated Inherent Risk Categories
Emergency Planning	Corporate Services Working with partners to improve quality of life	Legislative, Organisational and Management Requirements; Training & Awareness; Liaison With External Bodies; Communication; Testing, Exercising and Review of Plans; and Monitoring and Reporting.	Head of Health and Community	15	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Facilities Management	Corporate Services Pride in our area and services to residents	To review the Council's processes to facilities management. The scope will include maintenance programmes and management reporting.	Director of Operations and Delivery	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
<div style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 37</div> Housing Regulations Implementation Plan – Follow Up	Corporate Services Pride in our area and services to residents	To support the service in implementing any new requirements from the bill and to help reinforce any processes that should already be in place	Director of Operations and Delivery	5	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Corporate Complaints	Corporate Services Pride in our area and services to residents	Receipt, Recording and Allocation of Enquiries; Investigation; Review and Issue of Responses; Performance Management and Reporting.	Director of Law and Governance	5	<ul style="list-style-type: none"> Reputation Governance
Members Conduct and Expenses	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	To review the processes and procedures in place relating to policy, conduct investigations, controls relating to expenses and declarations of interest, gifts and hospitality.	Director of Law and Governance	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud

Operational Plan 2025/26 (continued)

An overview of the Operational Plan 2025/26 is set out below:

Auditable area (IT Systems)	Department and Link to the Corporate Plan	Notes	Audit Sponsor	Indicative Days	Associated Inherent Risk Categories
IT Governance	Corporate Services Financial Sustainability and Openness Pride in our area and services to residents	Global Internal Audit Standards requirement to complete annually.	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
IT Helpdesk Review	Corporate Services Pride in our area and services to residents	To review the processes and procedures in place and assess the effectiveness of the management activity in place.	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial Reputation General Governance and Fraud
Cyber Security	Corporate Services Pride in our area and services to residents	IT continues to be one of the biggest risk areas to all organisations. Governance arrangements and project delivery to be within scope	Director of Finance and IT	10	<ul style="list-style-type: none"> Financial General Governance and Fraud

Operational Plan 2025/26 (continued)

An overview of the Operational Plan 2025/26 is set out below:

Auditable area (Consultative Audits)	Department and Link to the Corporate Plan	Notes	Audit Sponsor	Indicative Days
Levelling up / CRP 2	Raising aspirations and creating opportunities Working with partners to improve quality of life	To provide support and advice during all projects / initiatives related to the Levelling Up Fund.	Deputy Chief Executive	10
Financial Resilience and Sustainability	Financial Sustainability and openness	To assess the resilience of the Councils agreed budget and ensure resources are being used as efficiently as possible in order to mitigate and plan for the agreed budget pressures	Director of Finance and IT	10
Use of Artificial Intelligence	Pride in our area and services to residents	To review corporate policies on the use of AI in the workplace and assess the risks the Council may face as the technology improves.	Director of Finance and IT	10
Action Tracking / Follow Up Process	N/A	Time allocated to chase, monitor and review the implementation of outstanding audit actions	N/A	30
Carry Forward / Rolling Program Days	N/A	Audits in progress at 31st March 2025. May be necessary to revise figure at late stage in plan process	N/A	40
Advisory and Support (Reactive Days)	N/A	Days allocated to support departments day to day for support and advice.	N/A	50
Totals				400

Audit Universe and Three-Year Plan

Audit	Previous Opinion	2025/26	2026/27	2027/28
Procurement	Adequate Assurance	✓	✓	✓
Housing Benefits	Substantial Assurance	✓	✓	✓
National Non Domestic Rates	Substantial Assurance	✓	✓	✓
Main Accounting System / Budgetary Control	Adequate Assurance	✓	✓	✓
Corporate Governance	Substantial Assurance	✓	✓	✓
Council Tax	Adequate Assurance	✓	✓	✓
Payroll	Adequate Assurance	✓	✓	✓
Treasury Management	Substantial Assurance	✓	✓	✓
Accounts Receivable	Substantial Assurance	✓	✓	✓
Accounts Payable	Adequate Assurance	✓	✓	✓
Health and Safety	Adequate Assurance	✓	✓	✓
Housing Strategy and Homelessness	N/A	✓		
Housing Repairs and Maintenance	Adequate Assurance	✓	✓	✓
Planning Policy & Local Plan	Adequate Assurance	✓		

Electoral Services	Adequate Assurance	✓		
Princes Theatre	Adequate Assurance	✓		
Environmental Services	Adequate Assurance	✓	✓	✓
Emergency Planning	Adequate Assurance	✓		
Facilities Management	Adequate Assurance	✓		
Housing Regulations Implementation Plan – Follow Up	Adequate Assurance	✓		
Corporate Complaints	N/A	✓		
Members Conduct and Expenses	Adequate Assurance	✓		
IT Governance	Adequate Assurance	✓		
IT Helpdesk Review	N/A	✓		
Cyber Security	Adequate Assurance	✓		
IT Infrastructure Review	Adequate Assurance		✓	
Land Charges	Substantial Assurance		✓	
Bank and Cash Handling	Adequate Assurance			
Identity and Access Management	Adequate Assurance			✓
Building Control	Adequate Assurance			✓
Capital Programme	Adequate Assurance		✓	
Cloud Management	N/A		✓	

External Funding	Adequate Assurance		✓	
IT Disaster Recovery	Adequate Assurance		✓	
Project Management	Improvement Required		✓	
Contract Management	Adequate Assurance		✓	
Housing Allocations	Adequate Assurance		✓	
Housing Rents	Adequate Assurance		✓	
Depot Operations	Improvement Required		✓	
Information Governance	Adequate Assurance		✓	
Asset Management	Adequate Assurance			✓
Planning Development	Adequate Assurance			
Resource Management	N/A			
Insurance	N/A			
Business Continuity	Adequate Assurance		✓	
Recycling and Waste	Adequate Assurance		✓	✓
CCTV and Control Centre	N/A			
Leisure Services	N/A			✓
Beach Huts	Adequate Assurance			✓
Seafront Management	Adequate Assurance			
Parking Services	Adequate Assurance			

Bereavement Services	Adequate Assurance			
Open Spaces	Adequate Assurance			✓
Public Conveniences	Adequate Assurance			
Grants	N/A			
Private Sector Housing	Adequate Assurance			
Planning Development	Adequate Assurance			✓
Planning Enforcement	Adequate Assurance			✓
Fleet Management	Adequate Assurance			
Disabled Facilities Grants	Improvement Required			
Coastal Protection	Adequate Assurance			✓
Social Media	Adequate Assurance			
IT Change Management	Adequate Assurance			✓
Licensing	Adequate Assurance			
Section 106 Agreements	Adequate Assurance			
Regeneration and Growth	Adequate Assurance			

Page 43

While the Internal Audit function works to provide assurance on the above auditable activities of the

organisation, there is a strong ethos within the team and organisation to provide consultative and advisory reviews on the Councils activities which are not included in the audit universe above. This area is where the Internal Audit function is able to provide added value to Tendring District Council as we are able to assess emerging risks and support the Council in achieving its vision and objectives with new and transformational projects as they happen rather than once the project, system or activity is complete.

Devolution and Local Government Reorganisation is going to have a huge impact on Essex as a whole and Tendring District Council. Internal Audit will need to adapt during this period to support the organisation transform once a decision has been made on how Council structures will look across Essex. The Internal Audit Plan will need to adapt during this period as information is communicated and resource potentially reallocated based on the organisations need.

The Internal Audit Manager also has responsibility for Fraud, Compliance and Information Governance. All areas where assurance will be provided to the Audit Committee via periodic update reports and through the Head of Internal Audit Annual Opinion Report. This information is then used to update the Annual Governance Statement (AGS), the AGS is then used as a source of information when developing future Internal Audit Operational Plans.

The Internal Audit Strategy and Operational Plan 2025/26 for Tendring District Council is prepared based on the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and ma

This page is intentionally left blank



Anti-Fraud and Corruption Strategy



Introduction/Content

The basic elements of this Strategy deal with:-

- Purpose, Commitment and Procedure
- Legislation and General Governance
- Definitions
- Standards, Expectations and Commitment
- Roles and Responsibilities
- Prevention
- Detection and Investigation;
- Resources Invested in Counter Fraud and Corruption
- Summary

These elements are covered in detail in the remainder of this document and end with a summary statement.

When combined, these elements are intended to provide resilience against any attempted fraud and corruption activity.

Purpose, Commitment and Procedures

The Council has adopted CIPFA's code of practice (2014) on managing the risk of Fraud and Corruption and follow its 5 key principles which this Strategy encompasses, including setting out the overall framework within which the Council will respond to fraud and corruption.

Tendring District Council is committed to :-

- take all necessary action to prevent fraud and corruption;
- make facilities available to aid detection of fraud and corruption;
- ensure prompt investigation and action.
- acting professionally, fairly and with integrity to identify matters of fraud, bribery, and corruption.

- to limit the council's exposure to fraud and corruption and minimise financial loss to the council and potential adverse effect on its reputation.

Therefore these commitments will be demonstrated through the Council's operation of an effective Anti-Fraud and Corruption strategy. This Strategy will be subject to an annual review which will be presented to the Council's Management Team and Audit Committee.

The latest "Fighting Fraud Locally Strategy" produced jointly by CIPFA, LGA and a number of government agencies as well as some private sector organisations will be assessed prior to future annual reviews of the Anti-Fraud and Corruption Strategy.

By adopting this strategy and via its annual review of the policy, the Council's Management Team:

- Acknowledges the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users;
- Acknowledges the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.

By adopting this strategy and via its annual review of the policy, the Council's Audit Committee:

- Acknowledges its responsibility for ensuring the effective management of fraud and corruption risks.
- Acknowledges the specific goal of ensuring and maintaining the Council's resilience to fraud and corruption

The Council expects Members and employees to set appropriate high standards through compliance with legal requirements, procedures, code of conduct and general good practice.

The Council will expect all suppliers, contractors, and other service providers (whether individuals or organisations) with which it deals to act at all times with integrity and financial probity. To support this, the Council has Financial Procedure Rules, Procurement Procedure Rules plus a Procurement Strategy. (under review)

Legislation and General Governance

All relevant officers are expected to comply with appropriate legislation, codes of practice and corporate policies when executing duties in relation to fraud.

It is imperative that the following codes, legislation, and policies are adhered to as part of all anti-fraud related activities undertaken within the Council:

- Human Rights Act 2000
- Local Government Finance Act 2012
- The Council Tax Reduction Scheme (Detection of Fraud and Enforcement) (England) Regulations 2013
- Welfare Reform Act 2012
- Police and Criminal Evidence Act 1984
- Criminal Procedure and Investigations Act 1996
- Regulation of Investigatory Powers Act 2000
- Council's Health and Safety Policy
- Equality Act 2010

- General Data Protection Regulations (GDPR) 2018
- Bribery Act 2010
- *Fraud Act 2006 (abuse of position)*

This is not an exhaustive list and therefore all officers should act in accordance with any appropriate legislation, corporate/departmental policies and codes of practice that are relevant to the anti-fraud activity being undertaken.

Definitions

Fraud

The term "Fraud" is commonly used to describe a wide range of dishonest behaviour such as deception, forgery, false presentation, theft, embezzlement, bribery, concealment of a material fact, *as well as false representation for gain (financial or non-financial)*

Fraud can be perpetrated by persons outside of the Authority as well as internally. Tendring District Council defines fraud as a dishonest action designed to facilitate gain or loss (personal or for another) at the expensive of the Council and its residents.

Corruption

Corruption is defined as "dishonest or fraudulent conduct by those in power" this is typically seen to involve bribery.

The Council looks to prevent, detect and investigate all aspects of possible corruption within its business.

Risk

The term "risk", in the context of this Strategy, is identified as an action or inaction that could cause financial or reputation risk to the council.

The council promotes a positive ethos towards the identification of risk management across the council supported by the council's internal audit team.

Standards Expectations and Commitment

Tendring District Council expects its officers and councillors to commit and abide by the 7 principles of public life, these apply to anyone who works as a public office holder.

Although these principles are set out within the Council's Constitution, they are included within this strategy for completeness.

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of the public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of the public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of the public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

Honesty

Holders of the public office should be truthful *and not place themselves in situations where honesty and integrity may be questioned.*

Leadership

Holders of the public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Roles and Responsibilities

Councillors and Elected Members

The roles and responsibilities are clearly defined for councillors in part six of the Council's Constitution entitled Members Code of Conduct. Members are expected to lead by example at all times maintaining the highest standards of probity, honesty and integrity and accountability in their actions. Adherence to Members code of conduct is overseen by the standards committee.

Employees

The expectation for employee's behaviour is set within the Council's Staff handbook and within other associated policies'. The Council supports the official Code of Conduct for Local Government Employees.

The policy states that - The public is entitled to demand of a Local Government employee of any grade the highest standard of integrity, ability and commitment to the ethics of public service and the interest of all members of the community.

Council employees are seen to be the first line of defence against fraud and corruption. Employees are expected to conduct themselves in ways which are beyond reproach, above suspicion and be fully accountable.

Managers must be prepared to establish and maintain systems of internal control, ensuring that the Council's resources are properly applied and focused in the right areas for which they were intended. Advice may be sought from Internal Audit on potential control issues.

If an employee believes that they need to raise a concern and are unable to do so with their manager they should use an alternative route to raise their concerns, it is suggested that they contact one of the following in the first instance:-

Chief Executive
Head of Department
Internal Audit Manager

Monitoring Officer
Section 151 Officer
Head of People

The Internal Audit Manager would normally be the first point of contact in accordance with Financial Procedure Rules. In certain circumstances, however it might be appropriate for the Police to be advised at the same time as Internal Audit and the Monitoring Officer.

Matters can also be raised through Protect - protect-advice.org.uk This is a registered charity whose services are free and strictly confidential. They can be contacted on 020 3117 2520 **or via the web form on the website.**

The Council has Procurement Procedure Rules, and Financial Procedure Rules to ensure that all employees who deal with financial matters do so in a controlled, proper and transparent way that accords with best practice. These documents are reviewed periodically to ensure they remain up to date.

The Council uses systems and procedures that incorporate internal controls. These controls include separation of duties, independent checks and authorisation restrictions to ensure that errors as well as impropriety are prevented. Financial Regulations require that all Heads of Department maintain systems and controls to a standard acceptable to the Chief Finance Officer.

Employees identified as having committed fraud against the Council will be subject to disciplinary action, civil action or criminal prosecution (or all of the afore mentioned) where deemed appropriate.

Employees are responsible for their own conduct and behaviour and are expected to assist and comply with an investigation. Failure to do so may be considered a breach of trust.

Internal Audit

The Council's internal audit team operate in accordance with the **Global Internal Audit Standards** under section 4 of the Local Government and Housing Act 1989. Internal audit undertakes an annual programme of work, which is reported to the Audit Committee on a quarterly basis. Whilst it is not the primary function of the internal audit team to detect fraud, the internal audit actively must evaluate the potential for the occurrence of fraud and how the organisation manages the risk of fraud.

Fraud prevention is a key element of the work Internal Audit undertakes and internal controls are assessed to ensure that fraud can be prevented from the outset. If controls are not followed or are weak, then actions are taken to strengthen the control framework as it is harder to retrieve any losses from fraud than it is to prevent them in the first place.

External Audit

External audit review the Council's effectiveness at identifying the risk of fraud within the organisation and preventing and detecting fraud within the organisation.

Corporate Fraud and Risk Team

The Council has established a dedicated Corporate Fraud Team who focus on providing a comprehensive anti-fraud service available to all service areas. The team will utilise all available methods to detect and investigate fraud and corruption within the Authority. This includes the use of data matching and intelligence led investigations where possible. The **Internal Audit Manager** is responsible for assessing the authority's counter fraud arrangements in consultation with the **Section 151 Officer and the Head of People**.

Public Sector Partners

The Council will continue to work with other authorities to provide positive data matching results and ensure fraud and error is identified and corrected at the earliest opportunity.

National Fraud Initiative (NFI)

The Cabinet Office are responsibility for the NFI data matching process. This is an independent public body responsible for ensuring that public money is spent economically, efficiently and effectively, to achieve high quality local and national services for the public. The NFI looks into a broad range of fraud risks faced by the public sector. The NFI has been embedded in the statutory external audit process for audited and inspected bodies since 1998 and is currently run every two years. Additional data matches/exercises are available if required.

The National Fraud Initiative compares different sets of data such as payroll and benefit records, against other records held by the same, or another organisation, identifying errors in data recorded and potentially highlighting potentially fraudulent claims and payments. Any potential discrepancies identified have a full investigation carried out if felt appropriate.

The use of data for NFI purposes continues to be controlled to ensure compliance with data protection and human rights legislation.

The Assurance and Resilience Manager is the Council's key contact and ensures that any NFI activity within the Council has the required action taken.

The National Anti-Fraud Network (NAFN)

Through NAFN the Council acquires data legally from a wide range of information providers in response to allegations of fraud and on-going investigations. NAFN will play a key role in ensuring the Council has effective lines of enquiry to ensure the Council maintains a robust intelligence gathering framework. The council's privacy notices advise customers how we will share their data.

Contractors

The Council expects all contractors it has dealings with to act with complete honesty and integrity in all dealings with the Council, its service users and residents. The Council expects the employees of contractors to report any suspicions or knowledge they may have in relation to fraud and/or corruption against the Council. We will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. This expectation should be clearly stated in any contract.

Helpline for Employees

Whistle-blowers are protected by the Public Interest Disclosure Act 1998. All calls from employees are therefore treated confidentially. The Council has a whistleblowing policy and has a helpline for employees to bring attention to anything happening in the workplace that might be illegal, improper or unethical. The Council encourages employees to use the helpline to disclose any concerns in order that they can be dealt with. Any allegations will be fully investigated and, if substantiated, appropriate action will be taken in accordance with this policy. The council also has its own fraud hotline which can be used by staff and members of the public. fraud.hotline@tendingdc.gov.uk

Audit Committee

The remit of the Council's Audit Committee is set out in associated terms of Reference within the Council's Constitution and includes requirements to consider and monitor this strategy. They are also required to review the Council's risk management arrangements and seek assurances that action is being taken. They must also consider risk related issues and consider and monitor the strategy, plan and performance of the Council's Internal Audit Service. In addition, the Committee is required to consider the strategy and plans of the Council's External Auditor.

Risk Register

The Council has a corporate risk register in order to identify, record, review and revise and manage key business risks. All risks have been evaluated and prioritised. The Council will ensure that fraud risks are routinely considered as part of its risk management arrangements.

A separate Fraud Risk Register has now been developed to be adopted by the Audit Committee. This register provides further detail on the fraud risks that impact the Council with details of how those risks are to be mitigated and additional actions where Council processes may need strengthening.

The Risks of Fraud and Corruption

The Council acknowledges that there are many risks from fraud and corruption but has identified the following significant items:

- Reduced income from Council Tax/ Local Council Tax Support Scheme/Business Rates
- Reduced availability of social housing in respect of tenancy related matters
- Reduced income from business rates
- Misappropriation / misuse of grant income
- Uncompetitive pricing / reduced value for money from procurement activities
- Procurement
- Cyber Security Fraud
- Invoice Fraud
- Money Laundering

The Council will evaluate on an on-going basis the harm to its aims and objectives and service users that different fraud risks can cause. This approach will apply to 'business as usual' activities of the Council but also specifically during times of prolonged periods of national or local emergencies such as COVID 19.

Upon accepting office, following election, Members are required to comply with members' code of conduct which includes expected behaviours and declaration of interests. Interests are also expected to be declared during their time in office, should a change occur.

Prevention

One major preventative measure against fraud and corruption is to take appropriate steps when employing new staff to establish, as far as is possible, their previous history in terms of their propriety, integrity and honesty.

The Council makes all appropriate enquiries in respect of all staff regardless of whether they are permanent, temporary or on fixed-term contracts.

All employees are bound by the Local Government Code of Conduct and local code of conduct as set out in the Staff Handbook (various paragraphs) and other relevant policies and are subject without exclusion to the Council's Disciplinary Procedures. Employees must disclose any pecuniary interest in contracts or similar matters and must on no account accept any fees or rewards in respect of their employment by the Council other than their proper remuneration. Other matters such as secondary employment or the receipt of gifts and hospitality (in accordance with the Code of Conduct) must be properly registered.

Section 151 of the Local Government Act 1972 places a statutory responsibility on the Chief Finance Officer to ensure that proper arrangements are made for the administration of the Council's financial affairs. The Council has adopted Procurement Procedure Rules, as well as using the councils Standard Financial Terms and Conditions to ensure proper contract management is carried out as well as complying with Financial Procedure Rules to ensure that all employees who deal with financial matters do so in a controlled, proper and transparent way that accords with best practice. These documents are reviewed periodically to ensure they remain up to date.

The Council uses systems and procedures that incorporate internal controls. These controls include separation of duties, independent checks and authorisation restrictions to ensure that errors as well as impropriety are prevented. Financial Regulations require that all Heads of Department maintain systems and controls to a standard acceptable to the Chief Finance Officer.

Risk assessments, covering fraud and other issues affecting the whole range of Council activities, is undertaken by Internal Audit who then carry out independent reviews to monitor the adequacy and effectiveness of internal controls and governance arrangements ensuring that there is appropriate departmental compliance.

It is evident, nationally, that an increasingly wide variety of frauds are being perpetrated. The larger frauds may involve the creation of multiple identities and false addresses, and involve different agencies. It is therefore becoming increasingly necessary to liaise with those other agencies, exchanging information, where possible and appropriate, to help prevent and detect such fraud. The Council is committed to ensuring that arrangements exist, and they are developed, to encourage the exchange of information with other agencies including:-

- other local authorities;

- government departments;
- police forces;
- The Cabinet Office including NFI - Data matching exercises;
- the National Anti-Fraud Network [NAFN];
- Essex Audit Group [EAG];
- Housing Benefit Matching Service [HBMS] run by the DWP

During prolonged periods of national or local emergency there are unfortunately many individuals and organisations who seek to take advantage of public bodies such as Local Authorities whilst they are responding to associated challenges and pressures. For a local authority, who provide a diverse range of services, attempted fraud can cover the large range of activities highlighted in the previous section but during national or local emergency situations they can become more targeted and sustained.

During these periods it is important for the Council to maintain its key prevention checks and controls and not be pressurised into acting outside of these important aspects of internal governance. Any individual should speak to their manager or one of the contacts set out in this report if they feel that something being done would potentially increase the Council's exposure to the risk of fraud or corruption.

In addition to the above, the Council will identify, keep under review and disseminate as appropriate, guidance from all relevant bodies such as Government Departments, CIPFA, NAO, NFI as early as possible during a time of national emergency.

The Fraud and Risk team carry out regular fraud awareness training for all TDC staff, members, and contractors, detailing the Councils' expectations. This training forms part of the Council's induction process for all new employees.

Detection and Investigation

Preventative systems, particularly internal controls within the Council have been designed to provide indications of fraudulent activity, and equally importantly, to deter potential fraudsters.

The responsibility to prevent and detect fraud and corruption lies with Management Team, Heads of Department, managers and all other employees of the Council as well as members of the public. Alert employees or members of the public are frequently the first to spot indications of fraud and corruption and prompt action by them enables effective detection to occur and appropriate action to be taken. The Council has a dedicated fraud hotline and email for all fraud related matters which could affect the Council and an online reporting form. Details are fraud.hotline@tendringdc.gov.uk Tel 0800 169 7004

A significant proportion of fraud is discovered by chance or as a result of a "tip-off". Advice on this issue for employees and their managers can be obtained from the Assistant Director of Finance and IT.

Financial Procedure Rules require all Heads of Department to report all suspected fraud or similar irregularity to the Internal Audit Manager. Correct reporting is essential to the Council's anti-fraud strategy to ensure:-

- consistent treatment of fraud and corruption;
- proper investigation by an independent unit (Internal Audit)
- prompt implementation of appropriate investigative activity;
- optimum protection of the Council's interests.

Under associated legislation, Tendring is required to participate in National Fraud Initiatives [NFI] run by the Cabinet Office. Data will be provided by the Council and will be used for cross-system and cross-authority electronic data matching for the prevention and detection of fraud. Similar data exchanges are also required for housing benefit matching exercises run by the DWP.

The nature and extent of the allegations will determine the level and type of investigation that is undertaken. Internal Audit will work with management and other relevant agencies to ensure that allegations are properly, fairly and thoroughly investigated and subsequently reported upon. Where appropriate, maximum recoveries of any losses will be made by the Council.

Where the outcome of an investigation indicates misconduct on the part of an employee, the official disciplinary procedure will be invoked. In proven cases of misconduct this may lead to the dismissal of an employee and if appropriate the involvement of the Police.

If appropriate to do so, the Council may consider sanctions against customers, including prosecution, where it has been identified that fraud has been committed against the Council.

Any decision to prosecute can only be made where the relevant Head of Service has consulted with the Council's Legal Services Department.

Council tax

As detailed earlier council tax is deemed to be a high-risk area and there are a number of regulations relevant to this such as ;-

Regulation 3 of the Council Tax (administration and enforcement) Regulations 1992 allows the Local Authority to request information. This is required for them to ensure that Council Tax is being correctly calculated.

Regulation 11 of the Council Tax (administration and enforcement) Regulations 1992 requires a liable person to advise a Local Authority if an exemption is incorrect.

Regulation 12 of the Council Tax (administration and enforcement) Regulations 1992 allows the Local Authority to request information. This is required for them to ensure that an exemption is being correctly calculated

The council may consider the need to impose a financial penalty of £70. The penalty can be imposed for

- failing to notify a change in circumstances
- providing false information

If a further request has to be made for the information already requested then a second, higher, penalty (currently £280.00) may be issued. This higher penalty can be applied each time the request is repeated.

The Assistant Director of Finance and IT will review the requirement to issue financial penalties on an ongoing bases.

National Non Domestic Rates (NNDR)/Business Rates

On 1 April 2013 a new system of business rates retention began in England. Before April 2013 all business rate income collected by councils formed a single, national pot, which was then distributed by government in the form of formula grant. Through the [Local Government Finance Act 2012](#), and regulations that followed, the government gave local authorities the power to keep up to half of business rate income and transfer half of it centrally, to central government.

As previously mentioned, during periods of national emergency, guidance is expected to be issued by relevant bodies given the increased risk of fraud and corruption during such times. The Council will need to consider and put in place as soon possible the necessary arrangements that may be set out within the associated guidance. This will include record keeping, reporting and anti-fraud / assurance work.

Publication of Anti- Fraud and Corruption Activities of the Council

The Council will at least annually report on the anti-fraud and corruption work that it has undertaken during the year along with publicising this Strategy.

This aims to set out the Council's intentions in terms of any identified fraud and corruption committed against it, along with acting as a deterrent to those considering such actions against the Council.

The Council's processes aim to be resilient to the threats of fraud and corruption and are designed to deter and detect such actions if committed against the Council.

Resources Invested in Counter Fraud and Corruption

Given the Council's commitment to counter fraud and corruption as set out within this Strategy the following resources are deployed which are proportionate to the level of assessed risk:

Dedicated Fraud Team

As highlighted earlier in this Strategy, the Council has established a dedicated team whose focus is to provide a comprehensive anti-fraud service within the Council, who are also available to provide support to all departments. The Council has committed an on-going annual revenue budget in excess of £170k to support the work of this dedicated team.

Training

The Council recognises the importance of training and the response of employees throughout the Council in ensuring that its fraud and corruption strategy remains a continuing success.

In this respect the Council encourages training and regular development for all employees and Members. Training is conducted online and face to face where appropriate.

Copies of the council's policies and procedures supporting any training carried out are available online to all employees.

The Fraud and Risk team continue to provide Fraud Prevention and Awareness training across the whole Authority ensuring all staff/Members are aware of their responsibilities. This training will be reviewed and adapted as new detection measures are identified and changes to the Councils fraud risk levels are determined.

Effective investigation of fraud and corruption requires staff that are properly trained and regularly updated in all aspects of investigative work. Provision will be made for this, and the training of Internal Audit staff will be geared towards achievement of that objective. Fraud Investigation Staff are now required to be professionally trained in all aspects of Corporate Fraud. General staff training will also incorporate appropriate references to the need for staff to be alert and vigilant in their day-to-day activities.

Internal Audit Days

The Internal Audit team include within their annual plan, fraud related work such as the assessment of fraud prevention controls and therefore in effect, a number of audit days are included within their overall annual work programme.

During periods of prolonged national or local emergency, additional resources may need to be identified to respond to an increase in fraud risks or to deliver key actions set out in associated guidance. Such arrangements will need to be considered by a Senior Officer at Assistant Director level or above and will need to balance the direct response to the emergency with the maintenance and operation of existing controls and governance arrangements to ensure the Council is not unreasonably exposed to increased risks.

Summary

A sophisticated network of systems and procedures is in place to assist with the prevention and detection of fraud and corruption. The Council is determined that these arrangements will be kept up to date, with regard to future developments in preventative and detection techniques, to limit fraudulent or corrupt activity that it may suffer. The strategy also acknowledges and addresses the potential increase in fraud risks during prolonged periods of national or local emergency. To help achieve this objective the Council maintains a continuous review of all associated arrangements through its Management Team, Procurement and Financial Procedure Rules, Officer and Member Codes of Conduct and internal and external audit arrangements.

Financial Procedure Rules require all Heads of Department to keep their departmental procedures under continuous review, reporting any newly identified risks referring proposed changes in procedures to the Section 151 Officer.

This strategy and its effectiveness will be monitored by Internal Audit, as part of their ongoing activities and any issues that arise will be reported to the Council's Section 151 Officer, Management and the Audit Committee as appropriate.

Performance against this Strategy and its effectiveness will be included as part of the annual review process which will be reported to Management Team and the Audit Committee accordingly.

In addition, where actions have been identified to contribute to the performance and effectiveness of this Strategy, these will be included as an Appendix and included as part of the annual review process. Appendix A sets out the current actions identified as part of developing this Strategy.

The Internal Audit Manager will continue to monitor and review the contents of the Anti-Fraud and Corruption Strategy to ensure it is working effectively and opportunities for preventing and detecting corrupt activity are maximised.

References

Whistleblowing Policy - <https://www.tedtdc.co.uk/child-pages/whistleblowing-policy>

Officer Code of Conduct - [Officer Code of Conduct \(Guidance Note\)](#)

Staff Handbook - <https://www.tedtdc.co.uk/child-pages/staff-handbook>

Constitution Members Code of Conduct - <https://www.tedtdc.co.uk/child-pages/constitution-part-six-codes-and-protocols>

Anti-Fraud and Corruption Strategy Action Plan – 2025/2026

Action	Responsible Officer	Update
<p>Review the consideration of fraud risks as part of the Council's general risk management arrangements.</p> <p>Explore the establishment of a separate Fraud and Corruption risk register for inclusion in future revisions to the Fraud and Corruption Strategy.</p>	Internal Audit Manager	<p>A separate Fraud Risk Register has been collated for the Audit Committee to review and adopt.</p> <p>Updates to be provided by the Internal Audit Manager on fraud work completed and the impact on the Council as part of the regular periodic reporting arrangements for future Audit Committee meetings.</p>
Evaluate the harm that different fraud risks can cause in the context of Council objectives and service users.	Internal Audit Manager	
Review the Council's Procurement Rules to ensure that the anti-fraud and corruption requirements placed upon contractors and those providing services to the Council are robust enough	Internal Audit Manager	Further work required on this item especially in light of the changes to the Procurement Act
General anti-fraud and corruption training to be provided to officers along with raising awareness of the Strategy within the Council and the commitments and expectations contained within it.	Internal Audit Manager	Fraud training is provided to all new staff and members as part of the induction process. Expectations of how staff should conduct themselves form part of this training and this is receiving positive feedback and engagement.

This page is intentionally left blank

AUDIT COMMITTEE

27 MARCH 2025

REPORT OF INTERNAL AUDIT MANAGER

A. ANTI-FRAUD AND CORRUPTION STRATEGY

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to the Audit Committee an updated Anti-Fraud and Corruption Strategy

EXECUTIVE SUMMARY

- The Council's Anti-Fraud and Corruption Strategy was last updated in April 2024 and therefore in need of review by the Audit Committee.
- An amended strategy is attached as **Appendix A** which reflects a number of amendments emerging as part of the annual review process but remains based on CIPFA's Code of Practice on managing the risk of fraud and corruption as previously adopted by the Committee.
- The updated strategy provides details of actions and provides realistic timescale for these to be implemented.
- A Fraud Risk Register (**Appendix B**) has been created to address the action required within the Anti-Fraud and Corruption Strategy. At this stage only the risks have been populated with the mitigation to be provided at a later date.

RECOMMENDATION(S)

It is recommended that Audit Committee approves the amended Anti-Fraud and Corruption Strategy set out in Appendix A and the Fraud Risk Register in Appendix B.

REASON(S) FOR THE RECOMMENDATION(S)

Keeps the Audit Committee updated with the timescales of ongoing projects and forms part of the annual review process.

ALTERNATIVE OPTIONS CONSIDERED

This document forms part of a committee process there is no other alternative way of dealing with this process as it needs to be shown to be transparent to the committee and to the public.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

This decision forms part of the councils Corporate Plan 2024-28 relating to strong finance and governance.

As a public body Tendring District Council is both required and expected to demonstrate a commitment to a fraud and corruption policy. This document sets out the expectations of all individuals and organisations associated with it to act with integrity and that all Members and employees will demonstrate their commitment to the content in this policy.

The Council strives to maintain a robust response to fraudulent activity directed towards it which in turn protects the financial position of the Council that supports the delivery of the Council's priorities and objectives.

The Fraud and Risk team have now completed Fraud Awareness training across all aspects of the council and external partners. This training has been conducted both virtually and via face-to-face. Fraud awareness has now been included in the council's induction process for all new starters.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Information is set out within the Strategy in terms of the various legal issues, legislation and regulation associated with the Strategy.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

Detecting and investigating potential fraud acts as a deterrent which protects public money. Also, successful investigations and sanctions identify overpayments that are required to be repaid, which otherwise would fall as a potential cost to the Council.

There are no other direct financial implications associated with the Strategy. Any actions emerging from the Strategy that have a financial implication will be considered within the Council's wider financial framework and decision-making processes.

The Councils' approach to fraud is based on fairness and consistency and through the application of the Strategy the aim is to ensure that this can be demonstrated and therefore reducing the risk of challenge, damage to the Council's reputation and unsuccessful sanctions such as prosecutions.

Failure to take part in data matching exercises could also result in an adverse impact on the Council's reputation and may lead to increased external inspection / audit at additional cost.

USE OF RESOURCES AND VALUE FOR MONEY

The Fraud and Risk team will continue to provide value for money within existing resources and budgets.

This strategy gives the guidelines of how officers should conduct themselves while performing their day-to-day duties and expectations of the council around this.

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	From existing budgets
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	Decisions around workflow are regularly reviewed to ensure that maximum savings can be identified for the council within existing resources.
C) Improving economy, efficiency, and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	Regular reviews are conducted to ensure that the team provide value for money and keep within existing budgets while providing a high-quality service.

MILESTONES AND DELIVERY

Realistic deadlines are set within the strategy for projects to ensure they can be met.

There are no critical timelines included in this strategy.

Service delivery will be met from internal resources.

ASSOCIATED RISKS AND MITIGATION

There is minimal risk of the team not achieving these deadlines set within the strategy. The risk would be linked to a reduction in resources.

The severity of any impact is considered to be moderate and would be linked to lack of income generation and a reduction in enforcement action taken by the council.

The team are able to mitigate this risk by using officers from other job roles within the team that could assist in some of the aspects of the role, and therefore keep the risk to a minimum.

OUTCOME OF CONSULTATION AND ENGAGEMENT

There are no requirements to seek consultation on this strategy. This is a public document and will be made available once agreed for residents to review and provide comment if necessary.

Any feedback received would be considered for any future amendments provided to the Audit Committee.

EQUALITIES

An equalities assessment form has been carried out and considered in relation to this strategy.

An understanding of how this strategy might impact the protected characteristics has been carried out and there were no issues identified at this time. (Document provided)

The Strategy aims to deliver fairness, transparency and consistency to all customers and stakeholders.

SOCIAL VALUE CONSIDERATIONS

The following report does not have a direct social value impact as set out within the template guidance.

IMPLICATIONS FOR THE COUNCIL’S AIM TO BE NET ZERO BY 2030

The Fraud and Risk Team continue to look at new ways to identify Fraud and Error while considering its carbon footprint.

Where possible journeys are restricted and kept to a minimum.

OTHER RELEVANT IMPLICATIONS

Set out what consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are then set out below.

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder	None identified.
Health Inequalities	None identified.
Area or Ward affected	All wards could be affected.

ANY OTHER RELEVANT INFORMATION

- N/A

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Council are required to have an Anti-Fraud and Corruption Strategy, this was last updated in April 2023. The strategy is subject to an annual review process.

The amended strategy is set out in **Appendix A**. Amendments made since the last review are highlighted in red font.

The Strategy continues to be based on Cipfa's code of practice on managing the risk of fraud and corruption. As its foundation, the Strategy sets out the Council's commitments along with the following key areas:

- Purpose, Commitment and Procedure
- Legislation and General Governance
- Definitions
- Standards, Expectations and Commitment
- Roles and Responsibilities
- Prevention
- Detection and Investigation.
- Resources Invested in Counter Fraud and Corruption

The strategy will continue to be subject to an annual review process including progress against identified actions and has therefore been included on the ongoing work programme of the Committee. It is acknowledged that through its application, the Strategy will evolve to reflect the various strands of work being developed within the Council, which will be included in future updates presented to the Committee.

Updates against the Councils Anti-Fraud and Corruption Strategy Action Plan are also included within **Appendix A**.

The committee has also been provided with a Fraud Risk Register within **Appendix B** to review and adopt. The council does have mitigating controls in place for each inherent risk highlighted; however, a list of mitigating controls / processes will be provided at a later date after consultation with the different departments. The Fraud Risk Register has been developed to address the agreed action within the Anti-Fraud and Corruption Strategy to consider fraud risks within the Councils general risk management framework.

Furthermore, to demonstrate the effectiveness of the Anti-Fraud and Corruption Strategy and address how fraud risks impact on achieving the Councils objectives and its service users; the Internal Audit Manager will provide an update on the work undertaken by the Fraud and Risk Team and the outcomes from that work on a bi-annual basis.

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.

This document was last reviewed by Audit Committee and updates were agreed in April 2024.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

An Equality Impact Assessment has been completed and no issues have been identified in relation to this strategy.

No scoping document is required in relation to this document.

Risk assessment documentation is not provided at this time.

APPENDICES

Appendix A – Anti-Fraud and Corruption Strategy (including action plan)

Appendix B – Fraud Risk Register

REPORT CONTACT OFFICER(S)**Name**

Craig Clawson

Job Title

Internal Audit Manager

Email/Telephone

cclawson@tendringdc.gov.uk
01255 686531 office

Tendring District Council Fraud Risk Register				
No.	Internal/ External Risk	Area	Inherent Risk	Impact
1	External	Housing Benefit / Council Tax Reduction	A claimant makes a claim based on information known to be inaccurate or fails to inform the council about a change in circumstance that would reduce the award.	<ul style="list-style-type: none"> Financial loss to the council Reputational damage to the council Loss in working time in investigating and correcting issues and liaising with police Potential court costs which have an impact on council budget Adverse effect on council budget
2	External	Council Tax Discounts	A claimant claims a discount when more than one person lives in the household, falsely claims to be a student or claims a property is empty and unfurnished.	<ul style="list-style-type: none"> Financial loss to the council Reputational damage to the council Loss in working time in investigating and correcting issues and any litigation action that may follow Potential court costs which have an impact on council budget Adverse effect on council budget
3	External & Internal	Cyber Fraud	The use of technology specifically is used to take advantage of system weaknesses for gain. This could include ransomware / malware attacks, hacking or use of council systems to test stolen account details ("checker fraud"). Staff / clients could fall victim to scams and frauds, including: executive impersonation, advanced fee and funds transfer. It could also include "cyber-enabled" frauds (i.e. use of the internet to commit fraud).	<ul style="list-style-type: none"> Financial loss to the council Reputational damage to the council Loss in working time in investigating and correcting issues and any litigation action that may follow Adverse effect on council budget Potential loss of service affecting different areas across the council

No.	Internal/ External	Area	Inherent Risk	Impact
5	External & Internal	Procurement Fraud	There are activities including price-fixing, bid-rigging and cover pricing, to maximise profit margins or share out contracts. In addition this risk also overlaps with bribery and corruption internal risks. There is a risk that claims are made to defraud the council by claiming payment for goods / services not provided; delivering goods / services of substandard quality; overpricing or duplicate invoicing.	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Loss in working time in investigating and correcting issues • Sub-standard work delivery • Potential costs arising from any necessary litigation
6	External	National Non-Domestic Rates	A business makes a claim for rate relief based on false information, e.g.. stating that a property is no longer in use; not declaring the location of a business or falsely claiming relief, e.g. by claiming to be occupied by a charity or intermittent use	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Loss in working time in investigating and correcting issues • Potential court costs which have impact on council budget • Adverse effect on council budget
7	Internal	Internal Fraud by Officers and Members	Officers or Members may abuse their position for private gain or misuse council assets for personal gain, including: computer hardware and software; plant, machinery and equipment and intellectual property. Theft of cash or portable items belonging to the Council, employees or Members. Receipt of financial or other rewards as an inducement to perform their duties improperly or seek to influence a decision-maker. There is also a risk of failing to declare an interest in a company or organisation.	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Loss in working time in investigating and correcting issues and liaising with police and lawyers • Potential court costs which have impact on council budget • Adverse effect on council budget • Lack of public confidence

No.	Internal/	Area	Inherent Risk	Impact
9	External	Election fraud	There is voter registration fraud; impersonation (at polling stations); phishing and hacking, denial of service and ransomware (particularly at the time of an election).	<ul style="list-style-type: none"> • Reputational damage to the council • Lack of public confidence • GDPR/Data Protection Breach
10	Internal	Cash handling	Theft or false accounting occurs with officers responsible for handling cash, either as income or expenditure (e.g. petty cash). This could include accounting for cash (and other income), security and banking.	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Loss in working time in investigating and correcting issues and liaising with police and lawyers • Potential court costs which have impact on council budget • Adverse effect on council budget • Lack of public confidence

No.	Internal/ External	Area	Inherent Risk	Impact
11	External & Internal	Organised Crime / Money Laundering	Council systems are used to launder money or there is abuse of council services and they are used by organised crime gangs. Also there is a risk that council properties are used for illegal activities.	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Lack of public confidence • The council inadvertently or otherwise becomes involved in money laundering or terrorist financing • Loss in working time in investigating and correcting issues and liaising with police and lawyers • Potential court costs which have impact on council budget • Adverse effect on council budget
13	External	Insurance Fraud	Bogus claims are made with serial claimants across authorities. Also organised "crash for cash" or "slip and trip" frauds and any insurance claim that is proved to be false, made against the organisation or the organisations insurers.	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Increased insurance premiums • Any claim will ultimately have to be paid for from Council resources. • The cost of processing unsuccessful claims is a drain on staff time and diverts resources from front line services • Loss in working time in investigating and correcting issues • Adverse effect on council budget

No.	Internal/	Area	Inherent Risk	Impact
15	Internal	Payments to Suppliers	There is misuse of council credit cards, creation of bogus suppliers / invoices. Offences include fraud by abuse of position, false accounting and corruption.	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Loss in working time in investigating and correcting issues and any litigation action that may follow • Lack of public confidence • Adverse effect on council budget
Page 6 73	Internal	Employment/Payroll	There are submissions of claims for duties not carried out; inflation of expenses claims; claiming sick pay when fit to work and failing to work contracted hours. Also the creation of ghost employees and generating payments and false overtime claims. Offences include fraud by false representation, failure to disclose information and false accounting.	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Loss in working time in investigating and correcting issues and any litigation action that may follow • Lack of public confidence • Staff morale

No.	Internal/	Area	Inherent Risk	Impact
17	External	Grants	Grant payments are obtained from the Council under false pretenses or that grants are claimed from different sources for the same purpose or that the recipient fails to deliver outputs stated in the grant conditions. In addition, there is a risk of bogus companies or individuals making a claim perpetrating to be someone else. This also overlaps with the internal risk of corruption. There is additional risk where there is a requirement to process and pay grants at speed where sufficient checks may not be completed	<ul style="list-style-type: none"> • Financial loss to the council • Reputational damage to the council • Lack of public confidence • Failure to support genuine need • Loss in working time in investigating and correcting issues • Adverse effect on council budget
18	External	Licensing	There is an abuse of a license (e.g. assigning to someone else) or claiming benefits / council tax reduction while working or having no right to work in this country. There are also links to organised crime. There is also a risk of a fraudulent application for a taxi license where an applicant does not declare a relevant fact or fails to declare a change posing a potential risk to the public	<ul style="list-style-type: none"> • Loss of revenue for the council • Reputational damage to the council • Lack of public confidence • Staff morale • Loss in working time in investigating and correcting issues • Adverse effect on council budget
19	Internal	Recruitment	Applicants submit bogus qualifications or references or have no right to work or fail to disclose income for benefit purposes. There is also a risk of offences which could include fraud by false representation or failure to disclose information.	<ul style="list-style-type: none"> • Reputational damage to the council • Lack of public confidence • Staff morale • Loss in working time in investigating and correcting issues

No.	Internal/	Area	Inherent Risk	Impact
20	Internal	False Applications	There is a risk that the council is supplied with false documentation in support of applications/registrations in respect of services provided e.g. applications for housing and planning applications	<ul style="list-style-type: none"> • Reputational damage to the council • Lack of public confidence • Loss in working time in investigating and correcting issues • Failure to support genuine need

This page is intentionally left blank

AUDIT COMMITTEE

27 March 2025

REPORT OF DIRECTOR FINANCE & IT

A. AUDIT COMMITTEE WORK PROGRAMME 2025/26

(Report prepared by Karen Hayes)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

- To present for approval the Audit Committee's proposed work programme covering the period April 2025 to March 2026.

EXECUTIVE SUMMARY

- A work programme covering the period April 2025 to March 2026 has been prepared which continues to reflect the significant element of regulatory / statutory activity required, along with other associated work, which fall within the responsibilities of the Audit Committee.

RECOMMENDATION(S)

It is recommended that the Audit Committee approves its Work Programme for 2025/26.

REASON(S) FOR THE RECOMMENDATION(S)

To provide a work programme which reflects the significant regulatory / statutory activity required by the Audit Committee along with other associated work falling within their responsibilities.

ALTERNATIVE OPTIONS CONSIDERED

There are no alternative options associated with this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedure are essential to the delivery of the Corporate Priorities supported by effective management and forward planning within this overall framework.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

Statutory and regulatory requirements have been recognised within the work programme.

FINANCE AND OTHER RESOURCE IMPLICATIONS	
Finance and other resources	
Although there are no significant financial implications associated with the work programme of the Committee, additional officer time or resources may be required to support the activities of the Committee and existing budgets will be reviewed as appropriate if the potential for additional costs arises.	
USE OF RESOURCES AND VALUE FOR MONEY	
The following are submitted in respect of the indicated use of resources and value for money indicators:	
A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	-
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	The work programme of the Committee covers a mix of governance arrangements along with statutory and regulatory functions. The work programme aims to address these areas of responsibility within related timescales and deadlines to support, protect and enhance the Council's reputation and governance framework.
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	-
MILESTONES AND DELIVERY	
With the implementation of the Work Programme the Committee will be able to satisfactorily carry out its required activities.	
ASSOCIATED RISKS AND MITIGATION	
The Work Programme reflects a number of functions and activities that form part of the Council's wider governance arrangements that includes risk and assurance.	
OUTCOME OF CONSULTATION AND ENGAGEMENT	
There is no requirement to seek consultation on this report. This is a public document to be presented to the Audit Committee.	
EQUALITIES	
There are no direct implications associated with this report.	
SOCIAL VALUE CONSIDERATIONS	
There are no direct implications associated with this report.	
IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050	
There are no direct implications associated with this report.	
OTHER RELEVANT IMPLICATIONS	
Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.	

Crime and Disorder	Not applicable
Health Inequalities	Not applicable
Area or Ward affected	All Wards could be affected
ANY OTHER RELEVANT INFORMATION	
None	

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Audit Committee has a wide-ranging area of responsibility with statutory and regulatory functions making up a significant element of their work. The meetings of the Committee are scheduled around a quarterly basis subject to the work required of the Committee to support the statutory and regulatory timescales and deadlines. The Audit Committee's work programme therefore needs to take account of various demands whilst balancing a number of activities within the planned number of meetings scheduled for the year.

In addition to the regulatory and statutory activities undertaken by the Committee such as the Statement of Accounts, Corporate Governance and Risk Management, the Committee are also required to review and scrutinise:

- The work and performance of the Internal Audit function
- The outcomes from the work of the Council's External Auditor
- Progress against audit recommendations and other items identified by the Committee

In addition to the items set out in **Appendix A**, a number of additional items will be presented to the Audit Committee during the year in consultation with the Chairman.

During the year other matters apart from those set out above may be presented to the Committee for consideration, for example the outcome from regulatory reviews or other external inspections. Given the on-going regulatory and statutory workload and the various additional activities undertaken by the Committee, any additional items that may arise will need to be considered against the proposed work programme and included for reporting at the appropriate meeting, or considered for inclusion in subsequent work programmes, an overview of which is included at the foot of **Appendix A**.

Taking into account the responsibilities of the Audit Committee as highlighted above, the proposed work programme covering the period from April 2025 up to and including March 2026 is set out in the Appendix.

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.

The Work programme is presented to the Audit Committee annually for its consideration and approval.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES**Appendix A – Audit Committee Work Programme 2025/26****REPORT CONTACT OFFICER(S)**

Name	Karen Hayes
Job Title	Executive Projects Manager – Governance
Email/Telephone	khayes@tendringdc.gov.uk

APPENDIX A

Audit Committee Work Programme 2025/26

Audit Committee Meeting	Item	From
June 2025	Annual Report of the Head of Internal Audit 2024/25	Internal Audit
	Internal Audit Regular Monitoring Report <i>(including annual review of the Internal Audit Charter)</i>	Internal Audit
	Table of Outstanding Issues <i>(including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Director Finance & IT
September 2025	Internal Audit Regular Monitoring Report	Internal Audit
	Corporate Risk Update <i>(including outcomes from cyber security activities and assessment as necessary)</i>	Director Finance & IT
	Periodic review of the Council's housing function <i>(reflecting regulatory requirements and external inspection as necessary)</i>	Corporate Director – Operations and Delivery
	Half yearly review of Anti-Fraud and Corruption Strategy <i>(application and effectiveness)</i>	Internal Audit
	Table of Outstanding Issues <i>(including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Director Finance & IT

February 2026	Internal Audit Regular Monitoring Report	Internal Audit
	Anti-Fraud and Corruption Strategy – Annual Review	Director Finance & IT
	Table of Outstanding Issues <i>(including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Director Finance & IT
March 2026	Internal Audit Regular Monitoring Report <i>(including Internal Audit Plan 2024-25 and Internal Audit Strategy)</i>	Internal Audit
	Corporate Risk Update <i>(including outcomes from annual cyber security self-assessment as necessary)</i>	Director Finance & IT
	Risk Based Verification Policy – Annual Review	Director Finance & IT
	Audit Committee’s Work Programme 2026/27	Director Finance & IT
	Table of Outstanding Issues <i>(including update against External Audit Recommendations and Annual Governance Statement Actions)</i>	Director Finance & IT

Additional items to be considered by the Committee throughout the municipal year, either as part of the programme of meetings as above or potential additional meetings as required

Outcome from external inspections/reviews, e.g. Health and Safety Executive, Food Standards Agency and Local Government and Social Care Ombudsman

Review of effectiveness of the Audit Committee

Review of the External Funding Policy (as requested by Cabinet)

External Auditor's annual plan

Statement of Accounts and Annual Governance Statement 2024/25 (including associated

External Audit reports, including VFM)

External Auditor's annual report

Devolution and Local Government Reorganisation

(The Committee will also need to consider separate/independent meetings with the External Auditor either ahead of or outside of the programmed meetings above as necessary)

This page is intentionally left blank

AUDIT COMMITTEE

27 March 2025

REPORT OF DIRECTOR FINANCE & IT

A.2 AUDIT COMMITTEE – TABLE OF OUTSTANDING ISSUES

(Report prepared by Richard Barrett and Karen Hayes)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present to the Committee the progress on outstanding actions identified by the Committee along with general updates on other issues that fall within the responsibilities of the Committee.

EXECUTIVE SUMMARY

- A Table of Outstanding Issues is maintained and reported to each meeting of the Committee. This approach enables the Committee to effectively monitor progress on issues and items that form part of its governance responsibilities.
- Updates are set out against general items within **Appendix A, B and C**. **Appendix C** is an addition to previous reports as it now captures the recommendations from the External Auditor that were presented to the last meeting of the Committee.
- To date there are no significant issues arising from the above, with work remaining in progress or updates provided elsewhere on the agenda where appropriate. In respect of **Appendix A**, following their completion as reported to the last meeting of the Committee, a number of items have now been removed.
- **Appendix D** sets out the outcome from the recent review of the Spendells House Capital Project with further details set out in this report including a recommendation relating to the associated outcomes along with those emerging from other capital project reviews during the year.
- **Appendix E** sets out a draft Independent Person specification in response to previous discussions and resolutions of the Committee earlier in the year along with an associated recommendation.

RECOMMENDATION(S)

It is recommended that the Committee:

- a) notes the progress against the actions set out in Appendices A, B and C;
- b) in respect of the Spendells review set out in Appendix D, that the findings are noted and that Officers be requested to bring these together with the outcomes from other various reviews of major projects, in addition to any associated recommendations from External / Internal Audit for consideration as part of the annual review of the Council's governance arrangements at the earliest

opportunity in 2025/26; and

- c) notes the draft Independent Person specification set out in Appendix E and requests Officers to further develop the specification for consideration at the next meeting of the Committee in June 2025, with consultation undertaken with Members of the Committee in the interim period.

REASON(S) FOR THE RECOMMENDATION(S)

To provide a timely update to the Committee along with reassurances that actions previously identified are being addressed accordingly.

ALTERNATIVE OPTIONS CONSIDERED

There are no alternative options associated with this report.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

The existence of sound governance, internal control and financial management practices and procedures are essential to the delivery of Corporate priorities supported by effective management and forward planning within this overall framework.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

The recommendation to appoint an Independent Person(s) to the Audit Committee, initially stemmed from the Redmond Review. This has not materialised into legislation, as is the case with other Independent Persons appointed by the Council (e.g. Independent Persons for the Standards Committee and Independent Remuneration Panel); however CIPFA guidance recommends this practice to be implemented by Audit Committees.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Finance and other resources

There are no significant financial implications associated with monitoring of the agreed actions or responses. If additional resources are required then appropriate steps will be taken including any necessary reporting requirements.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;	Not directly applicable
B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and	Not directly applicable
C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.	Not directly applicable

MILESTONES AND DELIVERY	
The Table of Outstanding Issues is presented to the Audit Committee at each of its standard meetings.	
ASSOCIATED RISKS AND MITIGATION	
The Table of Outstanding Issues is in itself a response to potential risk exposure with further activity highlighted to address matters raised by the Audit Committee.	
The report does not have a direct impact although such issues could feature in future recommendations and actions. Any actions that may have an impact will be considered and appropriate steps taken to address any issues that may arise.	
OUTCOME OF CONSULTATION AND ENGAGEMENT	
There is no requirement to seek consultation on this report. This is a public document to be presented to the Audit Committee.	
EQUALITIES	
The Table of Outstanding Issues aims to deliver fairness, transparency and consistency to all customers and stakeholders.	
SOCIAL VALUE CONSIDERATIONS	
The Table of Outstanding Issues is in itself a response to potential risk exposure, including considerations towards social value, with further activity highlighted to address matters raised by the Audit Committee.	
IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050	
There are no direct implications associated within this report.	
OTHER RELEVANT IMPLICATIONS	
Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.	
Crime and Disorder	Not applicable
Health Inequalities	Not applicable
Area or Ward affected	All Wards could be affected
ANY OTHER RELEVANT INFORMATION	
None	

PART 3 – SUPPORTING INFORMATION

BACKGROUND
TABLE OF OUTSTANDING ISSUES
The Table of Outstanding Issues has been reviewed and updated since it was last considered by the Committee in January 2025.

There are three main ongoing elements to this report as follows:

- 1) Updates against general items raised by the Committee – **Appendix A**
- 2) Updates against the 2023/24 Annual Governance Statement Action Plan – **Appendix B**
- 3) Updates against recommendations made by the External Auditor – **Appendix C**

In terms of item 1) above, there are no significant issues to raise, with actions remaining in progress or further details set out below.

In respect of the 2023/24 Annual Governance Statement Action Plan, the Committee at its 13 February 2025 meeting approved for publication the audited Statement of Accounts for 2023/24 and approved for signing the Annual Governance Statement, taking into consideration any minor amendments as agreed with the External Auditor. As part of the associated work of the External Auditor, a number of recommendations were made which are set out within **Appendix C** as highlighted above. There are no significant issues to highlight at the present time with actions and activities remaining ongoing.

Spendells House Capital Scheme Review

The outcome of the recent review is attached at **Appendix D**, which also addresses one of the External Auditors recommendations as set out within **Appendix C**.

It is important to highlight that this investigation formed one element of the Council's wider response to the issue identified. These actions are referred to within the Annual Governance Action Plan set out within **Appendix B**, and along with the investigation, mitigation actions have already been undertaken that include:

- The Chief executive issuing a directive to all Senior Managers relating to financial and budget management, which explains the consequences and expectations of them in their roles that will be supported by further collective meetings with Senior Officers.
- The commencement of arrangements for the implementation of a Senior Officer Project 'Board' that in turn will report directly to the Council's Senior Management Team on a regular basis.
- Statutory Officers re-delivered governance awareness training at a recent Senior Managers' Forum event, where attendance was mandatory.

As previously discussed, it is proposed to arrange a briefing for members of the Committee jointly with the Resources and Services Overview and Scrutiny Committee. It is currently planned to arrange such a briefing ahead of the Committee's meeting on 27 March 2025. In terms of the Audit Committee's assurance role and reflecting on the recent training / member development session earlier in the year, it is worth highlighting the Committee's relevant terms of reference as follows, especially in comparison with that of the Resources and Services Overview and Scrutiny Committee who have a different but complementary role:

- To provide independent assurance of the adequacy of the risk management framework and the associated control environment;
- To provide independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens

the control environment;

- Assessing external auditor and external regulatory reports and monitoring any quality improvement programmes where required.
- Reviewing significant issues referred by the Chief Executive, Cabinet or any Council Committee.
- Monitoring the effective development and operation of risk management and corporate governance.
- Considering the arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- Considering the Council's compliance with its own and other published standards and controls

In terms of the reference to best practice within the bullet points above, it is also worth highlighting the following relevant key elements that are set out within the Governments' best value standards:

- Local Authorities must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness;
- reporting on value for money, performance and the stewardship of resources is completed in a timely and understandable way, with transparent responses to recommendations from internal and external audit, and regulators;
- robust system of financial controls and reporting exists, which provide clear accountability and ensure compliance with statutory requirements and accounting standards; and
- procurement processes ensure economic, efficient and effective outcomes of contract procurement and management.

In terms of a practical and pragmatic response to the various issues and elements of good governance and best practice above, it is proposed to bring together the outcome from the Spendells House review set out within **Appendix D**, with the outcome from reviews of other major projects such as the Orwell Place Car Park and Events space capital scheme in Dovercourt that was reported to Cabinet on 21 February 2025. Reporting the outcome from major capital investment forms part of the Council's underlying approach as set out within the Annual Capital and Treasury Management Strategy and highlighted within the Annual Governance Statement Action Plan within **Appendix B**. Along with further planned reports such as the upcoming review of the flexible workspaces in Jaywick (Sunspot), various learning points can be brought together as part of the annual review of the Council's governance arrangements that in turn inform the associated action plan, that will be presented to the Committee in the first half of 2025/26.

Appointment of Independent Person(s) to the Audit Committee

A draft person specification is set out in **Appendix E**. It is proposed to further develop the specification in consultation with Members of the Committee in advance of a final version being presented to the June 2025 meeting of the Committee. Once agreed the actions associated with establishing and recruiting to this post will be undertaken which will include recommendations being made to Full Council, the appointment process and induction programme. A recommendation is included above that reflects this proposed approach.

External Funding Review

As highlighted within the report to the Audit Committee at its September 2024 meeting, the Committee have been asked by Cabinet for their support and assurance on the associated governance processes. This item has subsequently been captured within the Committee's proposed work programme for 2025/26 as set out elsewhere on the agenda.

External Audit Delays

Following the Committee's consideration and approval of the Statement of Accounts for 2023/24 and associated External Auditor reports, there are no longer any years outstanding. Work is underway in terms of the Council's 2024/25 accounts which will be subject to audit later in the year and will be reported to the Committee accordingly.

Local Audit Reform

There are currently no further updates over and above the detailed information presented to the Committee at its January 2025 meeting. Updates will be included in future reports as necessary.

RIPA – Regulatory Investigatory Powers Act 2000

To inform the Committee of any activity conducted under RIPA by the Authority – the Authority has not conducted any RIPA activity in the last quarter and it is rare that it will be required to do so.

Whistleblowing

To inform the Committee of any activity under the Whistleblowing Policy as part of the monitoring arrangements. The Authority has not received any Whistleblowing notifications since the adoption of its policy in July 2023.

PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.

The Table of Outstanding Issues is presented to the Committee at each of its meetings.

BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL

None

APPENDICES

Appendix A – Table of Outstanding Issues (March 2025) – General

Appendix B – Table of Outstanding Issues (March 2025) – Update against 2023/24 Annual Governance Statement Actions

Appendix C – Table of Outstanding Issue (March 2025) – External Audit Recommendations

Appendix D – Spendells House Capital Scheme Review

Appendix E – Draft Independent Person specification

REPORT CONTACT OFFICER(S)	
Name	Richard Barrett
Job Title	Director - Finance & IT
Email/Telephone	<u>rbarrett@tendringdc.gov.uk</u>
Name	Karen Hayes
Job Title	Executive Projects Manager – Governance
Email/Telephone	<u>khayes@tendringdc.gov.uk</u>

This page is intentionally left blank

AUDIT COMMITTEE - Table of Outstanding Issues (March 2025) - GENERAL

Governance Principle and Issue	Recommendation / Issue	Lead / Service	Progress / Comments	Status – Target Date
<p>Developing the entity’s capacity, including the capacity of its leadership and the individuals within it.</p>	<p>Following the consideration of the Anti-Fraud and Corruption Strategy last year, it was resolved that:</p> <p>The Head of Democratic Services & Elections be requested to consider including training for Members on anti-fraud and corruption measures as part of the Councillor Development Scheme.</p>	<p>Director - Governance</p>	<p>The development of a Formal Training Programme remains ongoing which will include as necessary:</p> <ol style="list-style-type: none"> 1. Joint general training with other Essex Authorities. 2. Statement of Accounts training 3. The role of Internal Audit Anti-Fraud and Corruption Strategy 4. Corporate Governance and Assurance in a Local Authority setting 5. Role and appointment of External Audit 6. Risk Management <p>The above are subject to external training providers’ availability and associated procurement processes.</p>	<p>Training sessions delivered to date: ‘Your Role on The Audit Committee’ – June 2023, Fraud training in June 2024, ‘Role of the Audit Committee’ delivered by external specialist trainer January 2025 to All Members’ development session.</p> <p>It is proposed to organise a session on Risk Management as early as possible in 2025/26 (as resolved by the Committee at its January 2025 meeting).</p>

				Further modules will be considered later in the year.
Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes – Anti-Fraud and Corruption Strategy	At its meeting on 25 January 2024 the Committee requested that an annual review of the effectiveness of the Anti-Fraud and Corruption Strategy is undertaken with the outcome to be reported back as part of the usual annual review process.	Director - Finance & IT	The first review will be undertaken in early 2025 for reporting to the Committee in March 2025.	It is proposed to introduce a half yearly review of the effectiveness and application of the Anti-Fraud and Corruption Strategy, which is included within the Committee’s work programme elsewhere on the agenda.
Managing risks and performance through robust internal control and strong public financial management – Spendells Project	At its meeting in July 2024, the Audit Committee resolved; <ul style="list-style-type: none"> 1. That in respect of the Spendells House issue, the Committee looks forward to reviewing the outcome of the work undertaken by the Chief Executive 2. Notes and endorses the proposed joint working with the Resources and Overview Scrutiny Committee, and will seek to identify the associated opportunities for a combined exercise with that Committee going forward. 	Chief Executive	In respect of 1. This forms part of the AGS action plan set out in Appendix B with an update to be provided to the Committee as soon as practicable, once the work referred to has been completed. In respect of 2. This remains under consideration subject to the outcome above.	Please see main body of the report and associated appendix for further details.

AUDIT COMMITTEE - Table of Outstanding Issues (March 2025) – ANNUAL GOVERNANCE STATEMENT ACTIONS 2023/24
On-going / outstanding items at the end of 2023/24 carried forward into 2024/25

Governance Principle & Issue	Required Action(s)	Update / Additional Comments
<p>Implementing good practices in transparency, reporting and audit to deliver effective accountability.</p> <p>Ensuring compliance of the Council’s governance arrangements through project board reviews.</p> <p>Utilising the Council’s systems to implement best practice for drafting, reporting and decision making.</p>	<ul style="list-style-type: none"> Review of project outcome being undertaken by the Project Board to support future decision making and delivery. Continuation of the roll out of the functionality of Modern.Gov over a phased approach in 2022/23 – completed areas – training record for Councillors, TDC representatives on outside bodies, E petitions function, automated e mails, submission of final reports for Planning Committee, Cabinet, Council, Committee and Management Team dates published, Environmental Health licensing decisions published, report writing functionality. <p><u>ADDITIONAL FOCUS FOR 2024/25</u></p> <p>Performance monitoring within services and decision implementation and project management.</p>	<p>The outcome from key projects will be reported to Members following completion of the associated project. Upcoming reports will include Jaywick Flexible Workspaces and the Office Transformation Project. In respect of the Orwell Place car park and events space in Dovercourt an update was presented to Cabinet in February 2025. As mentioned in the main body of the report, it is proposed to bring the outcome from these reviews together as part of the annual governance review.</p> <p>Modern.Gov – the supplier completed the required server upgrade in November 2024. To progress this action requires that the use of (*.bat) file types by the Modern.Gov software and the identification of these file types as a security risk in the Council’s IT network be overcome.</p> <p>A potential solution has been identified and will be further considered over the remainder of the year.</p> <p>In terms of the additional focus this remains ongoing and will likely continue into 2025/26</p>

		<p>which will be considered as part of the next review of the AGS as necessary.</p>
<p>Developing the Council's entity, including the capacity of its leadership and the individuals within it.</p> <p>Effectively manage the transition to a new Administration following the local elections in May 2023.</p> <p>REVISED FOCUS FOR 2024/25:</p> <p>Capacity to deliver the Council's Corporate Plan and its Priorities, together with new emerging initiatives.</p>	<ul style="list-style-type: none"> • Continuation of the delivery of the Member Development Programme • Cabinet focus on new Corporate Plan, project prioritisation, financial sustainability and robust decision-making. <p><u>REVISED FOCUS FOR 2024/25:</u> Work is now underway to develop a number of milestones against the highlight priorities as part of delivering against the Corporate Plan themes.</p> <p>Departmental Plans within services will continue to be reviewed against the themes and highlight priorities during the year, with particular focus on governance issues, such as monitoring and implementing decisions, managing risks and budgets.</p> <p>Capacity requirements to be reviewed in light of the new range of competing capital project timescales, resources for projects and existing service provision.</p>	<p>WORK COMPLETED: An extensive Development Programme was implemented as part of the Induction arrangements for the newly elected/returning Councillors.</p> <p>This made use of written material, in-person and online events and the opportunity to interact directly with officers from a wide range of services across the Council.</p> <p>The Development Programme has continued and has included arrangements with mock hearings and similar, delivered in-house for both Planning and Licensing Committee Members and hearings based training for Members of the Standards Committee delivered by specialist external trainers. Use has been made of LGA in-person and online training and events to further enhance the development offer and this has included specific training for several Cabinet Members through a residential course provided by the LGA.</p> <p>A refresh of the skills audit undertaken at the start of the Municipal year in 2023 is now planned to inform Member Development for the coming year and beyond.</p> <p>In respect of the Project Delivery Unit highlighted earlier in the year with work remaining ongoing to secure the necessary skills and capacity to support the Council in terms of delivery of a number of schemes and projects – an update will</p>

		<p>be provided by the relevant Officer directly to the Committee at its March 2025 meeting.</p> <p>A revised Corporate Plan and Vision was approved by Full Council at its meeting on 28 November 2023, which included six themes, one of which was Financial Sustainability and Openness. Initial Highlight Priorities were agreed by Cabinet at its December 2024 meeting for consultation, with final proposals presented to Cabinet at its 17 March 2025 meeting.</p> <p>A new online training provider which offers a wider range of courses to develop individuals, including both mandatory and optional courses, has been introduced.</p> <p>In terms of the additional focus for 2024/25 this remains ongoing and will be revisited as part of the upcoming annual governance review.</p>
<p>Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>Managing risks and performance through robust internal control and strong public financial management.</p>	<ul style="list-style-type: none"> • Review of existing Risk Management / Business Continuity arrangements. • Conduct and audit review in relation to the effectiveness of the Council’s response to COVID-19, including a review of the lessons learnt from the Council’s response and longer-term consequences. • Review of the effectiveness of the Audit Committee. • Develop and implement a Corporate Policy and Strategy ‘register’ to ensure that these 	<p>Due to a number of competing priorities it has not been possible to undertake this review in 2024/25 as originally planned. It is still recognised as an important governance issue and will continue to be prioritised going forward which will likely involve its inclusion in the next review of the AGS.</p> <p>In respect of the Council’s response to COVID-19, this continues to form part of the ongoing work of Internal Audit, which will also reflect any learning points that may emerge from the national public inquiry currently underway.</p> <p>In respect of the review of the effectiveness of the Audit Committee, it is planned to undertake a review in consultation with the Audit Committee</p>

are reviewed and updated in a timely manner and to support decision making.

and other key partners as soon as possible. Although this is later than originally planned this remains a key activity along with developing an associated action plan as necessary, which has been reflected within the Committee's annual work programme for 2025/26 set out elsewhere on the agenda.

The development of the register continues and is held on the Council's website as part of its commitment to transparency. It will be added to as strategies and policies are adopted and reviewed. Services have also been requested to reference the relevant strategy or policy within reports supporting decision making and has been evident in recent reports to Cabinet.

Corporate Policy and Strategy Register progress to link in with Review of Local Code of Corporate Governance.

Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.

Maintaining an up to date Local Code of Corporate Governance along with key policies and procedures.

- Review and update the Local Code of Corporate Governance and key policies and procedure.

The commitment remains in place to undertake this review and will be considered as part of the wider governance statement activities that will be reported to the Audit Committee later in the year.

Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Delegated decision making.

- Awareness and further strengthening of good decision making incorporating the Council's policies and framework.

Work remains in progress to increase the understanding of key principles including consultation, business planning, budget, procurement and legal, with individual and bespoke guidance being provided, where requested, by the Monitoring Officer through

report development. Concept papers and PIDs are encouraged to be completed comprehensively to ensure successful delivery within the governance framework.

It is planned to undertake/continue a number of activities to increase the understanding of key principles including consultation, business planning, budget, procurement and legal requirements, this will be delivered through the Senior Management Forum. It is worth highlighting that a presentation on the impacts of the Procurement Act 2023 was presented to the Senior Management Forum on 15 January 25.

Focus will be on embedding robust project management within the culture of the organisation, to provide oversight on financial and non-financial issues especially in key areas such as – Levelling Up Fund / Regeneration Project, waste contract renewal, new major contractual requirements and housing review recommendations.

In respect of external funding guidance highlighted in the September 24 report, Cabinet agreed a high level framework at its 20 September 24 meeting. Cabinet also requested that an external funding policy be developed for approval by the Leader of the Council in his capacity as the Portfolio Holder for Finance and Governance to complement the high level framework mentioned above and that it be presented to a future meeting of the Audit

		<p>Committee for their support and assurance on the governance processes. Once approved, the policy remains under development and will be reported to a future meeting of the Audit Committee.</p>
<p>Managing risks and performance through robust internal control and strong public financial management.</p> <p>In terms of business continuity this is especially important given the current global/economic climate.</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 100</p>	<ul style="list-style-type: none"> • Departmental Plans to be subject to review to reflect any updated Council objectives and priorities including the associated management of risk. • Develop the financial planning process with the aim of strengthening the Council’s long term financial sustainability. <p><u>ADDITIONAL FOCUS FOR 2024/25</u></p> <ul style="list-style-type: none"> • To implement/embed the necessary processes to support the identification of the required level of savings set out in the long term forecast. 	<p>As highlighted above, reviews of the Departmental Plans will be concluded alongside the Corporate Plan and highlight priorities during the remainder of the year (this will include alignment with any new/revised risk management approach and peer reviews as relevant).</p> <p>Review to incorporate resources/capacity to deliver priorities, projects and service provision.</p> <p>Final budget proposals were approved by Full Council in February 2025. It remains important to highlight that the identification of savings and efficiencies forms part of Cabinet’s key priorities for 2025/26, which references both the General Fund and HRA.</p> <p>The dedicated/regular Officer Management Team meetings remain ongoing with a focus on financial and non-financial issues along with performance and delivery.</p>
<p>Defining outcomes in terms of sustainable economic, social and environmental benefits.</p> <p>Determining the interventions necessary to optimise the</p>	<ul style="list-style-type: none"> • Preparation/reporting updates against the Climate Change Action Plan for approval by both the Cabinet and Council to form part of the Council’s Policy Framework. 	<p>In terms of the adoption of the updated Climate Change Action Plan, this was considered by Cabinet on 15 November 2024 for adoption via a separate Executive Decision following Full Council’s agreement to align the target for achieving net zero carbon emissions to the UK</p>

<p>achievement of the intended outcomes.</p> <p>To set out the Council's vision following the Council's Climate Emergency declaration of the Council's activities being 'carbon neutral' by 2030.</p>		<p>Government's objectives to achieve net zero i.e. by 2050. In terms of reporting against the plan this is a key item within Cabinet's Highlight Priorities for 2025/26.</p>
<p>New Items for 2024/25</p>		
<p>Ensuring openness and comprehensive stakeholder engagement</p> <p>Approach to Community Engagement, consultation and participation to be reviewed following adoption of the Corporate Plan and Communications Strategy.</p>	<ul style="list-style-type: none"> • Officers be requested to review the Council's Community Engagement Strategy and its operation, taking into account the feedback received through the Corporate Plan consultation with the public, partners and businesses, with a view to the outcomes being presented to a future meeting of the Cabinet. • Review Article 10 of the Council's Constitution which sets out how the Council will promote Community Consultation and Participation through a range of opportunities. 	<p>Officers have been requested to review the various forums set out in Article 10 within their areas and responses will be collated to produce a revised version for approval.</p> <p>Article 10 updates have been received from relevant service areas and are currently being collated.</p>
<p>Managing risks and performance through robust internal control and strong public financial management.</p> <p>In response to the Section 5 of Local Government & Social Housing Act 1989</p>	<p>The Chief Executive:</p> <p>a) Has instructed that a formal review be undertaken to provide further clarity on how the issue arose and developed (including the governance arrangements associated with issuing verbal orders), which in turn can inform any further actions along with</p>	<p>In respect of Item a) – please see main body of the report and associated appendices for further details.</p> <p>In respect of Item b) – the directive referred to has been issued and will continue to form part of</p>

<p>report from the Council's Monitoring Officer on Spendells House</p>	<p>informing decision making and project delivery in the future;</p> <p>b) has issued a directive to all Senior Managers relating to financial and budget management, which explains the consequences and expectations of them in their roles and will be supported by further collective meetings with Senior Officers over the coming weeks/months and:</p> <p>c) has commenced arrangements for the implementation of a Senior Officer Project 'Board' that in turn will report directly to the Council's Senior Management Team on a regular basis.</p> <p>Statutory Officers to re-deliver governance awareness at the upcoming Senior Managers' Forum, where attendance is mandatory.</p>	<p>collective meetings with senior officers as necessary.</p> <p>In respect of Item c) – arrangements remain ongoing and a further update will be provided to the Committee later in the year.</p> <p>In respect of the re-delivery of governance awareness, this was covered at a recent Senior Management Forum event.</p>
<p>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</p> <p><i>(Although this action is expected to cut across all seven of the key governance principles (A to G) set out above)</i></p>	<ul style="list-style-type: none"> Review OFLOG requirements and revised Best Value Guidance, CIPFA Codes/guidance to identify areas of weakness and improvement and develop an action plan (including learning from external reviews, inspections and self-assessments). 	<p>The Government are no longer pursuing the establishing of OFLOG. However, key issues will continue to form part of the Council's wider Best Value responsibilities.</p> <p>Revised Best Value Statutory Guidance is specifically being referred to by the Monitoring Officer and Section 151 Officer, highlighting the relevant Best Value Themes, as detailed in the</p>

		<p>Guidance and the relevant indicators to the subject matter of reports.</p> <p>Further opportunities to address Best Value responsibilities will be considered during the year, which will include a self-assessment style approach and associated action plan as necessary.</p>
--	--	--

This page is intentionally left blank

AUDIT COMMITTEE - Table of Outstanding Issues (March 2025) – EXTERNAL AUDIT RECOMMENDATIONS

Nos	External Audit Recommendation	Reported	Lead / Service	Initial Management Response Reported to the Committee on 13 February 2025	Progress / Comments / Status
1	<p>We have identified a significant weakness relating to Governance. Unauthorised expenditure of £386k in 2023/24 has been identified on the Spendells capital project. In addition to this, a number of capital projects, including Spendells, have overspent their budget in 2023/24. The unauthorised expenditure highlights that appropriate governance procedures to monitor approved capital expenditure on projects were not in place during 2023/24.</p> <p>The Council is undertaking a formal investigation into how the unauthorised expenditure arose, but this is yet to be concluded at the date of our report. We recommend that the Council concludes its investigation as soon as possible and ensures that appropriate governance arrangements are in place to monitor the implementation of the recommendations arising from the investigation</p>	<p>Auditors Annual Report for the year ended 31 March 24</p> <p>(Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible.</p> <p>In respect of the reference to capital projects overspending their budget in 2023/24, unlike the Spendells project where unauthorised expenditure was incurred, these broadly relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase.</p> <p>It is also important to highlight that the Council has acknowledged the need to ensure sufficient capacity to deliver the Council's various ambitious projects, with the Project Delivery Unit recently being established.</p>	<p>The outcome from the investigation referred to is set out within the main body of this report and elsewhere within the appendices.</p>

2	<p>The Council should expediate the implementation of solutions identified to prevent any risk of being in breach of GDPR laws</p>	<p>Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>The arrangements to address the risk, have all been implemented post May 2023 local elections under the newly elected Council</p>	<p>Completed with the necessary actions taken as referenced.</p>
3	<p>The Internal Audit team during their Project Management review, noted improvement is required due to major issues identified around multiple instances of projects failing to be delivered on time and within their original budget. Due to the nature of these projects, the values involved, and potential for further overspends, as well as the scale of the Council's capital programme and funding in the short and medium term, we have noted a significant risk around governance.</p> <p>The report from internal audit on Project Management had two major findings, however, there is an adequate action plan in place to address the issues found. We recommend that the Council continue to implement and closely monitor the progress of the action plan.</p>	<p>Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>Please see management response set out against item 1 above. As recommended, the Council will continue to implement the necessary actions and monitor the progress of the action plan that will be complemented by the outcomes from the Spendells investigation and any other learning from other major projects that will be reported to members as set out in the Annual Governance Statement.</p>	<p>Please see the main body of the report in respect of the Spendells investigation. In terms of the Internal Audit action plan, this will remain on-going and updates will be provided during 2025/26.</p>
4	<p>Risks around building safety, fire and mould which are current sector issues are not currently captured in the corporate risk register. The Council also do not currently monitor service-line risks alongside the authority-wide risk register. We</p>	<p>Auditors Annual Report for the year ended 31 March 24</p>	<p>Director Finance & IT</p>	<p>It is acknowledged that there is always a balance between operational / service risks and those captured within the Corporate Risk Register. The Council's current corporate risk register does capture Health and Safety and the Management of Assets as high level risks, but further</p>	<p>Remains under review with updates to be provided during 2025/26.</p>

	recommend that the Council ensure that health and safety risks are adequately captured in the risk register and service-line risks are monitored alongside the authority-wide risk register.	(Audit Committee 13 February 2025)		consideration will be given to the recommendations made in terms of achieving this overall balance.	
5	Although the Council make tender exemption decisions individually, a central tender waiver register is not held. We recommend that the Council hold a central tender waiver register to be reviewed annually by Cabinet and the Audit Committee.	Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)	Director Finance & IT	This will be considered as part of the upcoming annual governance review.	As highlighted, this will be considered alongside the annual governance review that will be undertaken early in 2025/26.
Page 109	The Council's risk management framework is now 6 years old, we recommend that this is reviewed and updated as required.	Auditors Annual Report for the year ended 31 March 24 (Audit Committee 13 February 2025)	Director Finance & IT	Although this will be considered as part of the on-going Corporate Risk Management activities and associated reports to the Audit Committee, it is important to highlight that it is broadly subject to review on a six monthly basis as part of the same process.	This remains under review for consideration as part of the six monthly corporate risk register reporting during 2025/26.
7	Review of valuation of land and buildings: Currently there is not a formalised review of the Council's valuer Wilks Head and Eve output. The Council do not hold sufficient data on the floor areas of their other land and buildings asset portfolio including up to date floor plans. We recommend that the Council undertake a full review of their asset portfolio and ensure up to date data is held on all asset floor areas. We also	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13	Director Finance & IT	This will be reviewed as part of the preparation of the 2024/25 Statement of Accounts, but it is acknowledged that it may have to be undertaken on a phased approach over more than one year given the expected scale of the associated work involved. Updates will be provided to Members as necessary.	This work remains on-going as part of the preparation of the 2024/25 Statement of Accounts with updates planned to be reported later in 2025/26.

	recommend that the Council undertake a formal review of the valuation on an annual basis.	February 2025)			
8	Review of journals: There is no documentation to the review of journals other than the initials of the reviewer. All journals posted below £100k have no approval or review process. We recommend that the Council formalise their review process for journals including full documentation of the review e.g. purpose of the journal, as well as review of some journals below the threshold.	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)	Director Finance & IT	It is important to highlight that journals are only undertaken by finance officers within the Corporate Finance Team rather than a wider issue across the Council and journals involve the movement of money internally between budget lines. Although it is accepted that there is a risk of misstatement to the accounts via the journals process, there are already complementary controls in place that adequately address such risks and therefore it is not proposed to consider the implementation of this recommendation	No further action proposed as highlighted.
9	As part of our VFM work we identified capital projects with budgetary overspends which were flagged as part of an Internal Audit review as well as unauthorised expenditure on a capital project. We consider this to indicate an internal control environment weakness in regards to the establishment of structures, reporting lines and appropriate authorities and responsibilities in the pursuit of objectives.	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)	Director Finance & IT	In respect of the reference to capital project overspending, unlike the Spendells project where unauthorised expenditure was incurred, these relate to projects where the associated budgets would have increased as necessary via the Council's existing governance arrangements. The overspending reference therefore relates to increases made to the associated budgets ahead of expenditure being incurred which would have been subject to separate standalone decisions or via the regular Financial Performance Reports presented to Cabinet. Such reports would have set out the reasons for the increase.	Please see response to items 1 and 3 above.

10	<p>During our VFM work, we identified an instance of unauthorised expenditure and have raised a significant weakness in this regard. The Council were conducting an external investigation into the reasons the unauthorised expenditure was able to occur, however, this was not concluded at the time of us completing our value for money work and reporting and we will therefore raise a control deficiency in relation to the timeliness of the investigation being concluded and recommend it is concluded as soon as possible.</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>The outcome of the investigation into Spendells is due to be finalised and reported to Members shortly, and any emerging recommendations to strengthen the Council's project management / governance arrangements will be considered as timely as possible.</p>	<p>Please see response to item 1 above.</p>
11 Page 111	<p>Declarations of interest (DOI): KPMG had requested up to date DOI for each councillor to agree to interests recorded in the Register of interests for related party purposes. The council does not hold an up to date DOI from two councillors due to non-response. We recommend that the Council continue to reiterate the importance of each councillor providing an up to date DOI annually.</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)</p>	<p>Director Finance & IT</p>	<p>This issue relates to the email sent out to Members at the end of each financial year reminding them to confirm that their DOI's are up to date that in turn informs the associated reporting within the Statement of Accounts where necessary. It is not necessarily that their DOI's are not up to date but a matter of them confirming that is the case or otherwise at the end of each year. The importance of the required action from Members will be included within the upcoming request at the end of 2024/25</p>	<p>This issue will be highlighted within requests sent to members as part of the 2024/25 Statement of Account process.</p>
12	<p>Payroll reconciliation: Differences were noted between the payroll report and general ledger during our testing of the remuneration report, we therefore recommend that the Council perform a reconciliation between the payroll report and general ledger for the purposes of the salary bandings disclosed within the</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13</p>	<p>Director Finance & IT</p>	<p>It is important to emphasise that a reconciliation of the payroll system and the general ledger is undertaken, with this recommendation therefore referring to a specific reconciliation relating to the officers' remuneration note within the Statement of Accounts as referenced. The recommendation action will be undertaken in respect of the</p>	<p>The reconciliation process referred to will be undertaken as part of the 2024/25 Statement of Accounts process.</p>

	officers remuneration report to understand any reconciling items.	February 2025)		upcoming preparation of the 2024/25 Statement of Accounts.	
13	Management review of actuarial assumptions: We inquired with the audited entity to understand the pension process. We understood that the Finance Head reviews the assumptions and methodologies used in the calculation of the FRS 102 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. We recommend that management produce formal documentation of their review of the assumptions and methodologies used in the calculation of the FRS 102 Report.	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)	Director Finance & IT	Although a review is undertaken as referred to, formal documentation will be produced in respect of the upcoming preparation of the 2024/25 Statement of Accounts	This will be undertaken as part of the 2024/25 Statement of Accounts process.
14	Other land & buildings (DRC method): The council could not provide the floor plans to substantiate the GIAs used in arriving at the value of the buildings. The existing floor plans were not retained by the Council post-valuation. The GIAs are key inputs and without any evidence, the value of the assets could be materially misstated. The council should ensure that an appropriate Business Disaster Recovery Plan is in place. This will make certain that all updated floor plans are stored and	Year End Report to the Audit Committee for the year ended 31 March 2024 (Audit Committee 13 February 2025)	Director Finance & IT	Please see response [above]. The reference to Business Disaster recovery plan will be explored further with the External Auditor to better understand the specific risks that is this is seeking to address.	Please see response to item 7 above. In addition, the associated floor plans will be adequately retained as part of the Council's more general business disaster recovery arrangements.

	retained adequately for all the areas of buildings measured professionally				
15	<p>Related parties – out of date declarations: Two (2) councillors had out of date declarations and updates were not obtained in March 2021. This was then subsequently raised to the client and up to date declarations were obtained post-year end. There is a risk that transactions between related parties are not identified, disclosed and are not arm's length. We recommend that management should monitor the declaration process regularly to ensure that up to date declarations are obtained by year end.</p>	<p>Year End Report to the Audit Committee for the year ended 31 March 2024</p> <p>(Audit Committee 13 February 2025)</p>	Director Finance & IT	Please see response [above]	Please see response to item 11 above.

This page is intentionally left blank

OUTCOME FROM THE SPENDELLS HOUSE CAPITAL SCHEME REVIEW

Introduction, Background and Objectives

On 24th May 2024, a joint report of the Portfolio Holder for Planning and Housing and the Monitoring Officer, was presented to Cabinet, which provided a further update on the provision of temporary accommodation via the Spendells House project. The report also reported a review of the Budget position and Reference under Section 5 of the Local Government and Housing Act 1989. The purpose of the report was as follows:

- To update Cabinet on progress with Spendells House being retained and reconfigured for the provision of temporary housing accommodation
- To seek continued support for the project in the light of the options available and the ongoing need for the accommodation
- To seek additional funding for additional work to address matters that were not within the specification and were brought to light in the course of the project
- To inform Members of a breach of the Council's Financial Procedure Rules and legal decision-making requirements with regard to variation of a contract without sufficient approvals in place and the actions taken in response

The Monitoring Officer was the co-author of the report, only in so far as complying with the Section 5A of the Local Government and Housing Act 1989 obligations. An addendum report was also presented to the same meeting of Cabinet providing further update on Spendells House and review of budget and reference with the comments of the Assistant Director Finance and IT and Section 151 Officer.

Subsequently the Chief Executive Officer:

- (a) Instructed that a formal review be undertaken to provide further clarity on how the issue arose and developed (including the governance arrangements associated with issuing verbal orders), which in turn can inform any further actions along with informing decision making and project delivery in the future;
- (b) issued a directive to all Senior Managers relating to financial and budget management, which explains the consequences and expectations of them in their roles and will be supported by further collective meetings with Senior Officers over the coming weeks / months; and
- (c) commenced arrangements for the implementation of a Senior Officer Project 'Board' that in turn will report directly to the Council's Senior Management Team on a regular basis.

In respect of Item b) above, the directive referred has been issued and will form part of on-going collective meetings with senior officers over the course of the year as necessary, with an initial session held at a recent Senior Management Forum event.

In respect of Item c) above, arrangements remain ongoing and a further update will be provided to the Committee later in the year which will also be informed by the outcome of the review highlighted in a) above.

In respect of item a) above, this report sets out the initial outcome and recommendations emerging from that review with further details set out below.

In instigating the review, the Chief Executive directed the following:

1. To review the issues in relating to Spendells House, supported by the Section 151 Officer and Monitoring Officer with the Internal Audit Manager and Executive Projects Manager – Governance, duly appointed to conduct the review.
2. The scope of the review to cover the following areas:
 - a) Financial position
 - b) Identify spend which has not been approved
 - c) Was the spend unforeseeable or omitted from the specification of the project
 - d) Who agreed the unauthorised spend
 - e) As a result of the review, recommendation as to whether there should be a disciplinary investigation on any officers

Background

Spendells House is a 1960s constructed sheltered housing scheme with shared washing facilities and limited living space by modern standards.

Key dates for decisions on Spendells House are set out below;

- **10 November 2017** Cabinet received the report of the then Housing Portfolio Holder and approved formal consultation on the future of two Sheltered Housing Schemes including Spendells House.
- **23 March 2018** Cabinet received the report of the then Housing Portfolio Holder and decided on the Closure of two Sheltered Housing Schemes.
- **26 June 2020** Cabinet decided to bring Spendells House back into use as temporary accommodation - A.5 – minute no. 25.

Officers arranged for the site to be stripped internally of all asbestos and a specification and a formal procurement process were completed.

The procurement process was completed, in accordance with the Council's Rules of Procedure and the lowest tender returned was in the sum of £1.250m.

- **23 September 2022**, a further decision by the then Cabinet was proposed in order to consider a report on the review of budget position and award of contract and agreed to Spendells House.
- **14 February 2023**, the Full Council decided to allocate additional funding for the project as part of the HRA budget setting process.
- **March 2023**, a proposal for further decision on the future use of Spendells House, Walton-on-the-Naze - Approval of financial business case was published.
- **June 2023**, the Housing & Planning Portfolio Holder, Leader of the Council and Corporate Finance & Governance Portfolio Holder considered an update on Spendells House and Review of Budget. The Leader and Portfolio Holder noted the increased costs, to be financed through capital receipts, noted the updated business case and confirmed support for the project. ref: 11505.
- **21 July 2023**, the Housing & Planning Portfolio Holder, Leader of the Council and Corporate Finance & Governance Portfolio Holder considered a further update on Spendells House and further review of budget and agreed to continue with the project proposing to finance additional costs by reallocating money from within the HRA capital programme ref: 11622.
- **1 August 2023**, the Corporate Director, in consultation with the Portfolio Holder with responsibility for Housing decided to appoint ARC to complete the work and to authorise the Head of Legal Services to enter into the construction contract.
- **16 October 2023**, Work on site started.

Review and Outcomes

The review undertaken involved speaking with relevant officers along with obtaining information and documentation covering and supporting the following elements:

- Current financial position
- Contract and specification
- Management oversight – governance and financial approval processes
- Unauthorised spend
- Conclusion and recommendations

Current Financial Position

At its meeting on 24 May 2024, Cabinet approved an additional budget of £860,000 and the Chief Executive has approved via a separate decision, a further budget of £60,000 to meet the cost of fire doors.

The above brings the total capital project budget to £2.387m with a detailed history below:

Report	Adjustment	Total Project Budget (Capital)
Full Council February 2022 – HRA Capital Programme 2022/23	Reflected Initial Estimate	£600,000
Budget 2023/24 as agreed by Full Council February 2023	Addition of £800,000	£1,400,000
24 May 2024 Cabinet Report Item A.6	Addition of £860,000 (plus addition of furniture costs and other associated budget adjustments)	£2,327,000
Decision of the Chief Executive 10 June 2024	Addition of £60,000 to support the cost of replacement fire doors	£2,387,000

As at the 18 March 2025, the total capital expenditure incurred is £2,342,629. It remains the Service's expectation that the project will be delivered within the total existing capital budgets.

Contract

The contract between Tendring District Council and ARC Group London was signed and sealed on 30 Jan 24 utilising an Intermediate Building Contract 2016 (JCT).

The terms of the contract included a number of relevant elements such as responding to delays and extensions etc. It is worth highlighting the contractor provided their advice to extend the construction period along with a longer lead in time.

As with most construction projects, the contract allows for variations and it states that the Council may sanction in writing any variation made by the Contractor otherwise than pursuant to an instruction.

In terms of the definition of a variation, the contract states:

1. The alteration or modification of the design, quality or quantity of the Works including:
 - 1 - the addition, omission or substitution of any work
 - 2 – the alteration of the kind or standard of any of the materials or goods to be used in the Works;
 - 3 – the removal from the site of any work executed or Site Materials other than work, materials or goods which are not in accordance with this Contract;

2. The imposition by the Employer of any obligations or restrictions in regard to the following matters or any addition to or alteration or omission of any such obligations or restrictions that are so imposed or are imposed by the Contract Documents in regard to:
 - 1 – access to the site or use of any specific parts of the site;
 - 2 – limitations of working space;
 - 3 – limitations of working hours; or
 - 4 – the execution or completion of the work in any specific order.

In terms of the valuation of a variation, the contract states that amounts are as agreed by the Employer and the Contractor or, where not agreed, the amount valued by the Quantity Surveyor (a 'Valuation').

Some key points identified against the key elements of the process are as follow:

Contract Specification

- Consideration could have been given to obtaining external support in writing the specification.
- The specification could have minimised contract variations and covered reasonably foreseeable issues – there were 40 variation orders issued.

Management Oversight and Governance

- It took just over a year to produce a business case and then appointing a contractor to begin works.
- Unclear process for dealing with variations to the specification and contract
- There was a period of long-term sickness absence during the project and related to the oversight role.
- The project may have benefitted from additional capacity.
- The financial position of the project was not discussed during project meetings.
- The initial project completion date was the end of March 2024, then extended to the end of August 2024 and then November 2024 for completion and handover.
- £600,000 was allocated to the budget and the scheme was originally intended to be a refurbishment, decoration and alterations. However, the scope of the project grew as part of its intended use to meet the on-going

demand for temporary accommodation in the district which was a significant cost to the Council.

- Unclear decision-making responsibilities, particularly where additional funding was required to complete the project.
- The relevant experience of key Officers supporting the project.

Financial Approval

- The contract variation instructions were recorded on the contractor's system but not recorded on TDC systems or a project management chart.
- Contract variations were informed by the contractor after they identified issues and then notifying the Council, who then assessed the request and a price given by the contractor in order to complete those variations.
- Some issues may not have been foreseeable and therefore not included in the original specification.
- Overspends first came to light around 8 February 2024.
- Some issues could have been addressed earlier in the project.
- The process for managing variation orders was controlled by the contractor not the Council.
- Variations were approved without a financial quote being provided upfront by the contractor, along with details of the work required to allow time to review and inspect before approval.
- Misunderstanding of the requirements for quote documentation.

Unauthorised Spend

As reported to Cabinet in May 2024, the total unauthorised spend on the project equates to £386,535.12.

Some key points / issues identified included:

- Misunderstanding of approvals, budget availability and decisions required.
- Timing of updates to Senior managers
- The project budget contingency was not reassessed

Summary and Conclusions

Although it is felt that the Council's underlying / current governance arrangements and internal control processes are reasonable / adequate, there are a number of issues and recommendations identified regarding the project, with the aim of strengthen such arrangements as follows:

- The scoping, management and adherence to the Council's Governance Framework.
- Specification - specifications must be robust, complete and clear. Specifications should be compiled by service area experts, and if these

cannot be provided internally then services should be sought externally with an associated budget. Sufficient capacity should also be considered and allocated, with management oversight. A thoroughly prepared specification would negate the requirement for significant and numerous contract variations, although minor variations may still be expected.

- Contingency - contingency should not only be considered at the beginning of the project, but it should also be considered when tenders are returned as this may impact on the overall budget and therefore the level of contingency required. It is good practice to apportion between 10-20% of the overall budget dependant on the scale of the project.
- Project management - the project should report progress against time, budget and potential issues. Mechanisms within services need to be in place to ensure that senior management are aware when significant issues arise, in this instance substantial variations to the contract. Although regular meetings were occurring, these were without structure to the agenda and did not necessarily demonstrate the financial commitment of the project, and therefore opportunities to identify potential unauthorised earlier were missed.
- Decision making - constitutional requirements do not appear to have been adequately considered during the life of this project. It is therefore recommended that for future projects, all project leads review and consider constitutional requirements at both the planning stage and during the implementation of the project, to ensure that any statutory requirements are followed in addition to the contract terms.
- Training - adequate training for Officers should be provided before undertaking any project, including specification writing, project management and contract management, especially of this scale. Appropriate supervision and support should also be provided at the inception of the project.
- Strategic oversight – a Project Board will provide a consistent strategic approach to all projects going forward. All project managers are to report progress against targets including any potential issues that may occur. When providing financial information, this should also include amounts already committed, potentially using GANT charts may help. The minimum expectations of reporting standards should be agreed from the outset.
- Contract management - the Council's interests must be prioritised when managing contracts. This includes using the Council's own processes and systems and not relying on contractor processes and direction, as it may be

difficult to validate information and ensure that we comply with constitutional and statutory requirements. Control must be retained by the Council, even if the expertise lies with the contractor.

- Contract variation - contract variations must be limited by ensuring a robust specification is produced (as aforementioned). Variations should not be approved unless quotations or financial impact is provided in advance as well as being challenged when requested by a contractor. It may be beneficial to limit variation orders that can be approved in line with current constitutional requirements. The correct financial approvals must be sought in order to negate unauthorised spend.
- Unauthorised spend - managers should be aware of their constitutional responsibilities when authorising spend. Once Cabinet has approved an overall budget, managers should update and request additional funding if necessary from the Portfolio Holder / Cabinet, at the earliest opportunity prior to committing the Council to further expenditure.
- To include sessions within future staff inductions to draw attention to the Council's high level governance arrangements, policies and procedures. This could be complemented via a six monthly induction 'follow up' session aimed at senior managers that can provide further detail in key areas such as budget and financial responsibilities long with procurement and other requirements set out within the Council's Constitution.

In addition to the above and based on the detailed findings / outcomes, the matter has been referred for review against the Council's HR policies to determine any further necessary action.

TENDRING DISTRICT COUNCIL

Audit Committee Independent Person - Person Specification

[Some elements set out below are subject to upcoming decisions / consideration as necessary, so will be revisited as part of finalising this document for presenting to the Committee during 2025/26]

Audit Committees in Local Government

Audit Committees are a fundamental pillar of good corporate governance and the Council established its own Committee back in 2006. The Council's Audit Committee operates against detailed terms of reference which are appended to this person specification.

The composition of the Audit Committee is a key factor in achieving the characteristics of a good Audit Committee. The membership of the Council's Audit Committee has recently been increased from five to seven members, which further underlines its import role within the Council.

The appointment of Independent Person(s) to Audit Committees initially stemmed from recommendations emerging from the Redmond Review, which was a national independent review into the oversight of local audit and the transparency of local authority financial reporting undertaken by Sir Tony Redmond. The outcome of this review has remained a cornerstone of various improvement plans and revised arrangements considered and introduced by the Government. It still features within the latest review into the local audit regime which remains subject to consultation and review by the Government before implementation. In terms of this latest review, the Government propose to mandate audit committees within Local Authorities, including the provision for one independent member on those committees.

Notwithstanding the above, CIPFA have issued their own guidance that states that:

“The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise”.

Taking the above into account, the Council's Audit Committee has endorsed the approach of potentially appointing at least two people, with this recruitment process seeking the initial appointment to one of those roles.

What is the role of an Independent Person and what sort of person is the Council looking to appoint?

Audit Committee members need an underlying independent, sceptical mindset and a willingness to provide robust challenge. The introduction of independent members is seen as beneficial to the audit committee in many ways, including:

- Ensuring a mix of skills and experience across a range of functions and activities
- Providing an external view can often bring a new approach to committee discussions.

- Reinforce / support the political neutrality and independence of the Committee within the Council.
- Helps maintain continuity of committee membership where membership is affected by the electoral cycle.

Overlaying the above with the CIPFA guidance mentioned above, general aptitude also needs to be considered alongside relevant knowledge, skills and experience.

The appointment of co-opted independent members therefore needs to take account of the overall knowledge and expertise of the existing members of the Committee. Based on the most recent review, the Council is looking for someone who can demonstrate a good understanding and experience in the following areas:

- [TO BE INFORMED BY PROPOSED REVIEW]

The Council's Audit Committee has delegated authority to make decisions on behalf of the Council in a number of areas as highlighted within its terms of reference - it is not proposed to provide the independent member with associated voting rights. However, the Committee does have an advisory role as well, upon which the independent member's vote could be considered. It is therefore recommended that the independent member be appointed without any voting rights initially, which would remain subject to review at a later date to ensure that the arrangements remain appropriate and effective.

Who is eligible?

Similar to arrangements elsewhere within the Council, a person would not be considered independent and eligible if they:

- Are, or have been within the past 5 years, a member, co-opted member with voting rights, or someone who has stood for office, or Officer of the Council or of one of the Town or Parish Councils in the District; or
- Are, or have been within the past 5 years, a relative, or close friend, of a member, co-opted member with voting rights, or someone who has stood for office within the last 5 years, or officer of the Council or of one of the Town or Parish Councils in the District. For this purpose, "relative" means –
 - a. A spouse or civil partner;
 - b. Living with the person as husband and wife or as if they were civil partners;
 - c. A grandparent of the person;
 - d. A lineal descendent of a grandparent of the person;
 - e. A parent, sibling or child of the person;
 - f. A spouse or civil partner of c, d or e above;
 - g. Living with a person defined at c, d or e above as husband and wife or as if they were civil partners

How long is the appointment?

The initial period of appointment is proposed to be from the date of acceptance of the role once offered up to and including 31 March 2028.

Do I have to live or work in the District?

Not necessarily, but a connection to the District will add to the merits of your application.

How will the successful candidate be appointed?

The position is being advertised publicly via the Council's website, with consideration of using complementary approaches as necessary.

The appointment process has been delegated to the Chief Executive in consultation with the Audit Committee Chairman.

The Council will only consider / appoint someone who makes a formal application.

Following the appointment process, the necessary induction / training will be provided to the successful candidate.

Is the position paid?

The Independent Member will be entitled to a payment of approximately £TBC a year under the Council's associated allowances scheme.

How much time does it involve?

The estimated time commitment required to undertake the role can vary, but on average it would involve attendance at four meetings of between one to three hours, plus associated preparatory reading. Committee meetings are generally held in the mornings.

APPENDED - FUNCTIONS AND TERMS OF REFERENCE OF THE AUDIT COMMITTEE

The discharge of the following miscellaneous functions – Part II as set out in Schedule 1 to the Local Authorities (Functions and Responsibilities Regulations) (England) 2000 (as amended) and as detailed in Appendix 1 to Part 3 of the Constitution.

Duty to approve the authority’s statement of accounts, income and expenditure and balance sheet or record of receipts and payments (as the case may be).

Additional roles and functions of the Committee are as set out below:

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment;
2. To provide independent scrutiny of the Council’s financial and non-financial performance to the extent that it affects the Council’s exposure to risk and weakens the control environment;
3. Considers the annual budget for the internal audit service as part of the Council’s budget setting process; and
4. To oversee the financial reporting process.

Audit Activity

1. Considering the Internal Audit Manager’s annual report and opinion and a summary of internal audit activity (actual and proposed), and the level of assurance it can give over the Council’s corporate governance arrangements.
2. Considering reports on the operation of internal audit and summaries of specific internal audit reports where requested.
3. Considering reports from internal audit on agreed recommendations not implemented within a reasonable timescale.
4. Assessing external auditor and external regulatory reports and monitoring any quality improvement programmes where required. Comments are provided to Cabinet as appropriate.
5. Commenting on the scope and depth of external audit work and ensuring it gives value for money.
6. Liaising with the Audit Commission in regard to the appointment of the Council’s external auditor.

Regulatory Framework

7. Reviewing significant issues referred by the Chief Executive, Cabinet or any Council Committee (subject to the availability of resources within the approved audit plan).
8. Monitoring the effective development and operation of risk management and corporate governance.
9. Monitoring Council policies on “Raising Concerns at Work”, the whistleblowing policy and the anti-fraud and corruption strategy.
10. Overseeing the production of the Code of Corporate Governance, including the Statement of Internal Control.
11. Considering the arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
12. Considering the Council’s compliance with its own and other published standards and controls (other than those covered by the Standards Committee).

Accounts

13. Reviewing and approving the annual statement of accounts.
14. Considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
15. Receiving the external auditor’s report to those charged with governance.

This page is intentionally left blank

AUDIT COMMITTEE

27 MARCH 2025

REPORT OF DIRECTOR FINANCE & IT

A.5 EXTERNAL AUDITOR'S DRAFT AUDIT PLAN AND STRATEGY FOR THE YEAR ENDING 31 MARCH 2025

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To present for consideration the External Auditor's Draft Audit Plan and Strategy for the year ending 31 March 2025.

EXECUTIVE SUMMARY

- The External Auditor's Draft Audit Plan and Strategy for the year ending 31 March 2025 is attached, which sets out their planned audit work in respect of informing their opinion on the 2024/25 Financial Statements and the Council's use of resources.
- As highlighted within their report, the plan forms an important element of their audit cycle / timetable along with its associated communication with the Council. Their approach recognises the importance of fostering effective communication throughout the audit process with those charged with governance.
- The plan is set against a number of key elements, which include materiality and risk along with considering areas of focus such as the items highlighted by the Financial Reporting Council set out in the attached report.

RECOMMENDATION(S)

That the Audit Committee considers and notes the External Auditor's Draft Audit Plan and Strategy for the year ending 31 March 2025.

REASON(S) FOR THE RECOMMENDATION(S)

To enable the Committee to consider and confirm their acknowledgment of the External Auditor's Draft Report.

ALTERNATIVE OPTIONS CONSIDERED

Not applicable as the report forms part of the External Auditor's formal reporting responsibilities.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

Delivery against priorities, service improvement, best value responsibilities and governance

arrangements are improved through external challenge such as from external audit inspections and reviews.

LEGAL REQUIREMENTS (including legislation & constitutional powers)

The Council is required to ensure there are adequate internal audit / internal control arrangements in place.

The Accounts and Audit Regulations 2015 set out a number of requirements relating to the preparation and publication of the Statement of Accounts along with associated public inspection periods.

The above is complemented by guidance issued by organisations such as the National Audit Office and the Financial Reporting Council which are considered as necessary during the preparation of financial reports.

The PSAA is specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and regulation 3 of the Local Audit (Appointing Person) Regulations 2015. For audits of the accounts from 2023/24, the PSAA appointed KPMG as the Council's auditor under the 'opt-in' process that this Council has previously agreed. The current appointing period covers a five year period commencing 2023/24.

FINANCE AND OTHER RESOURCE IMPLICATIONS

Page 20 of the attached sets out a table of the proposed fees payable, with the statutory audit element totalling **£177k**, which can be met from within existing budgets. However, as also highlighted within **Page 20** of the attached, additional fees could become payable which will be reviewed as necessary as part of the fee variation process in place with the PSAA.

USE OF RESOURCES AND VALUE FOR MONEY

The following are submitted in respect of the indicated use of resources and value for money indicators:

A) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;

B) Governance: how the body ensures that it makes informed decisions and properly manages its risks, including; and

C) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The associated work of the External Auditor is set out within the attached, with outcomes planned to be presented at a future meeting of the Committee.

MILESTONES AND DELIVERY

This report forms an important element of the annual work programme and reporting requirements of the External Auditor.

ASSOCIATED RISKS AND MITIGATION

Not supporting and responding practically and timely to External Audit activity may have an impact on the delivery of the Council's priorities, reputation, governance arrangements and overall control environment.

OUTCOME OF CONSULTATION AND ENGAGEMENT	
Not Applicable	
EQUALITIES	
Not directly applicable.	
SOCIAL VALUE CONSIDERATIONS	
Not directly applicable.	
IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050	
Not directly applicable.	
OTHER RELEVANT IMPLICATIONS	
Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.	
Crime and Disorder	Not directly applicable.
Health Inequalities	
Area or Ward affected	

PART 3 – SUPPORTING INFORMATION

BACKGROUND AND THE EXTERNAL AUDITOR'S DRAFT AUDIT PLAN AND STRATEGY FOR THE YEAR ENDING 31 MARCH 2025.
<p>Shortly after the end of each financial year the Council prepares in accordance with proper practices a Statement of Accounts as statutorily required, which is then subject to external audit before final publication. The current publication deadline for the unaudited accounts for 2024/25 is the end of June 2025.</p> <p>The Audit Plan and Strategy issued by the External Auditor highlights at a summary level, aspects of the work they plan on undertaking and why, areas of focus including where risks are likely to be greater and the background to their required value for money activities.</p> <p>The outcome of the External Auditor's work will be set out in separate reports that will be presented to the Audit Committee at a future meeting, within the proposed timescales associated with the 'backstop' date for the 2024/25 accounts, i.e. 27 February 2026.</p>
PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.
Reference Report from the Audit Committee – Appointment of External Auditor for a Five Year Period Commencing 2023/24 – Item A.3 Full Council 15 February 2022
BACKGROUND PAPERS AND PUBLISHED REFERENCE MATERIAL
None

APPENDICES
Attached – External Audit Draft Plan and Strategy for the Year Ending 31 March 2025

REPORT CONTACT OFFICER(S)

Name	Richard Barrett
Job Title	Director Finance & IT
Email/Telephone	rbarrett@tendingdc.gov.uk 01255 686521

Tendring District Council

DRAFT - Report to the Audit Committee

External Audit Plan & Strategy for the year ending
31 March 2025

March 2025

Introduction

To the Audit Committee
of Tendring District Council

We are pleased to have the opportunity to meet with you to discuss our audit of the financial statements of Tendring District Council for the year ending 31st March 2025.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach. We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Page 134

Contents	Page
Overview of planned scope including materiality	3
Significant risks and Other audit risks	5
Audit Risks and our audit approach	6
Mandatory communications	12
Appendix	18

The engagement team

Emma Larcombe is the engagement director on the audit. She has over 15 years of industry experience.

Other key members of the engagement team include Jodie Preston (Lead Manager).

Yours sincerely,

Emma Larcombe

Director - KPMG LLP

27th March 2025

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 controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

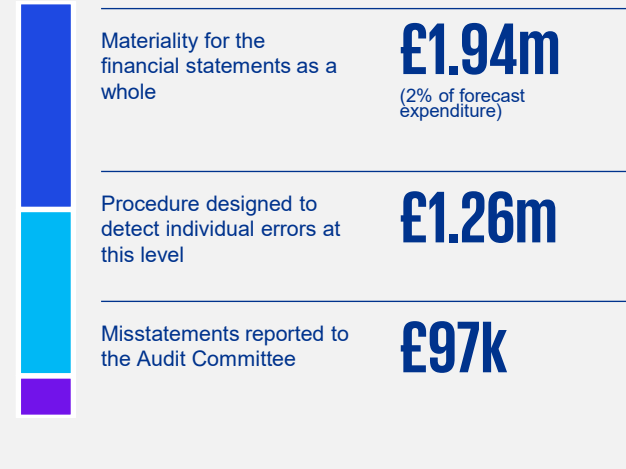
We considered qualitative factors such as stability of legislation, lack of shareholders and debt arrangements when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.26m / 65% of materiality driven by our expectations of increased level of undetected or uncorrected misstatements in the period resulting from uncertainties in the prior year unaudited figures.

We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £97K.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Materiality



Materiality
£1.94m
2% of expenditure £97m

Overview of planned scope including materiality (cont.)

Page 136

Timing of our audit and communications

- We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in February 2025 where we discuss our approach to the Planning and Interim phases of our audit;
- Audit Committee meeting in March 2025 where we present our final draft plan;
- Regular status meetings with management on where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in December 2025 where we discuss the auditor’s report and any outstanding deliverables;
- Final Audit Committee meeting here we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee chair if there is interest.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
Internal Audit	We will perform inquiries with the internal audit team and review the minutes of internal audit meetings to understand if there are any specific risks identified as part of the routine internal audit process. However, we do not intend to use the work of internal auditors, therefore we will not perform any detailed risk assessment procedures.
KPMG Pensions Centre of Excellence	KPMG’s internal actuarial specialists will perform an assessment of the year end Pensions valuation
KPMG Revaluation Centre of Excellence	KPMG’s internal revaluation specialists will perform an assessment of the year-end property, plant and equipment valuation.

Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which Tendring District Council operates.

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

Due to the current levels of uncertainty there is an increased likelihood of changes to this risks throughout the audit cycle. Where such changes are identified we will amend our audit approach accordingly and communicate this to the Audit Committee.

Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Our risk assessment work in this area is still ongoing.

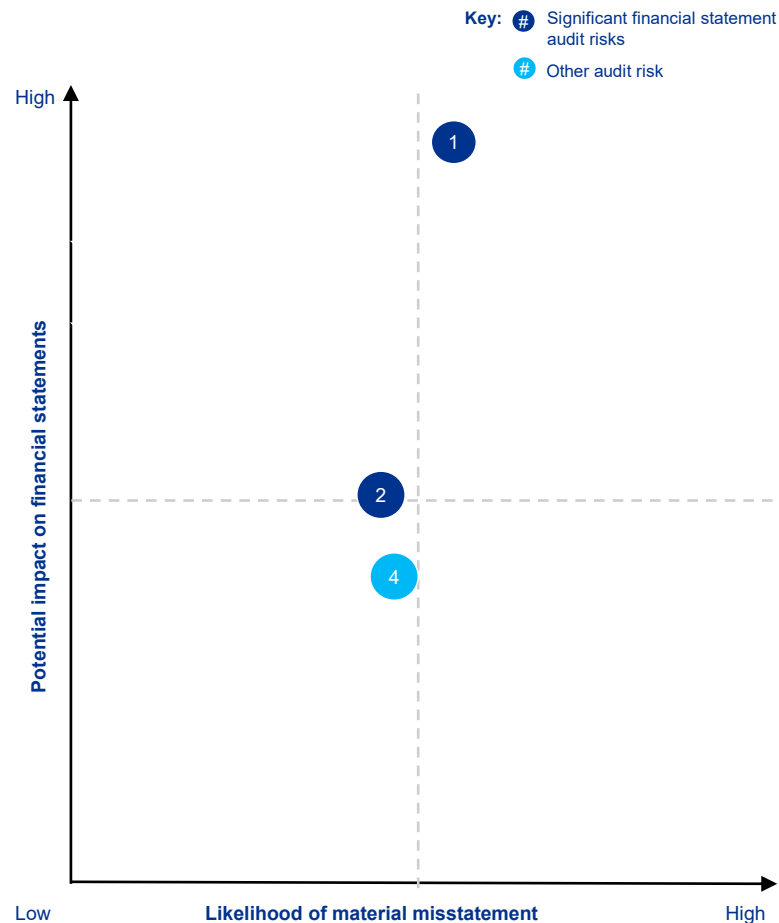
Significant risks

1. Valuation of fixed assets
2. Valuation of post retirement benefit obligations
3. Management override of controls*

* pervasive

Other audit risks

4. IFRS16



Audit risks and our audit approach (cont.)

1 Valuation of land and buildings

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



Significant audit risk

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.

Land and buildings are valued either at existing use value (EUV) or for specialised assets at Depreciated Replacement cost (DRC) which includes assumptions made by the Valuer for relevant build costs, obsolescence and professional fees costs.

There is therefore the risk for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.

We were unable to perform our planned procedures in the prior year due to identified issues including:

- The valuer used the gross external area (GEA) to perform the valuation, rather than gross internal area (GIA) for specialised buildings within other land and buildings and an accurate value of this difference could not be determined
- The Council do not hold sufficient data such as up to date floor plans for the asset portfolio revalued under other land and buildings.

We raised high priority recommendations in relation to this.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We will inspect 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 will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2 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 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: Essex Local Government Pension Scheme



Planned response

We will perform the following procedures:

- Understand the processes the Council have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting 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;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate 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;
- Test, 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;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions;
- Assess the impact of a new triennial valuation model and/or any special events, where applicable.

Audit risks and our audit approach (cont.)

3 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.

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



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess 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.
- We will analyse all journals through the year using data and analytics and focus our testing on those with a higher risk.

Audit risks and our audit approach (cont.)

4 IFRS16 Leases

Lease terms and lease payments may be inappropriately determined.



Other audit risk

IFRS 16 Leases will be fully adopted for the first time within the 2024/25 accounts. Impact disclosures were required and reviewed as part of the 2023/24 audit.

The main source of this risk is that lease terms and lease payments are inappropriately determined. This is a particular risk for arrangements which are not subject to a formal contract. Other risks include that the discount rate used to measure the lease liability is inappropriately determined or that a lease liability is not appropriately remeasured when reassessment is required.

Linked to the above there is a potential risk that lease payments are not completely and accurately recorded, are not recorded in the correct accounting period or have not occurred.



Planned response

We will perform the following procedures:

- We will evaluate the Council’s process for reviewing current arrangements and contracts to ascertain whether there is a lease falling within the remit of the standard;
- We will critically assess the key decisions made about material contracts such as property leases;
- We will review the discount rate used in the calculation of the lease liability and confirm that the rate used the rate implicit within the lease payments for that specific arrangement;
- We will reperform the calculation of the lease liability and right of use asset for a sample of leases; and
- We will critically assess the disclosure proposed for compliance with the requirements.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
HRA Income	The vast majority of this income relates to dwelling rents where revenue is recognised on a month by month basis in line with the rental agreement.	The income is highly predictable and is broadly known at the beginning of the year based on the number of properties rented out for a known amount. As a result: it is highly unlikely for there to be a material error in the population.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Page 142

Mandatory communications - additional reporting



Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
---	---	---

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
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 to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
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.

Page 143

Mandatory communications

Page 144

Type	Statements
Management’s responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor’s responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor’s responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor’s responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 25 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm’s independence and the integrity and objectivity of the audit engagement partner and audit staff.

Tendring District Council

DRAFT - Value for money risk assessment

Our approach

Year ended 31 March 2025

March 2025

Value for money

Page 146

For 2024/25 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

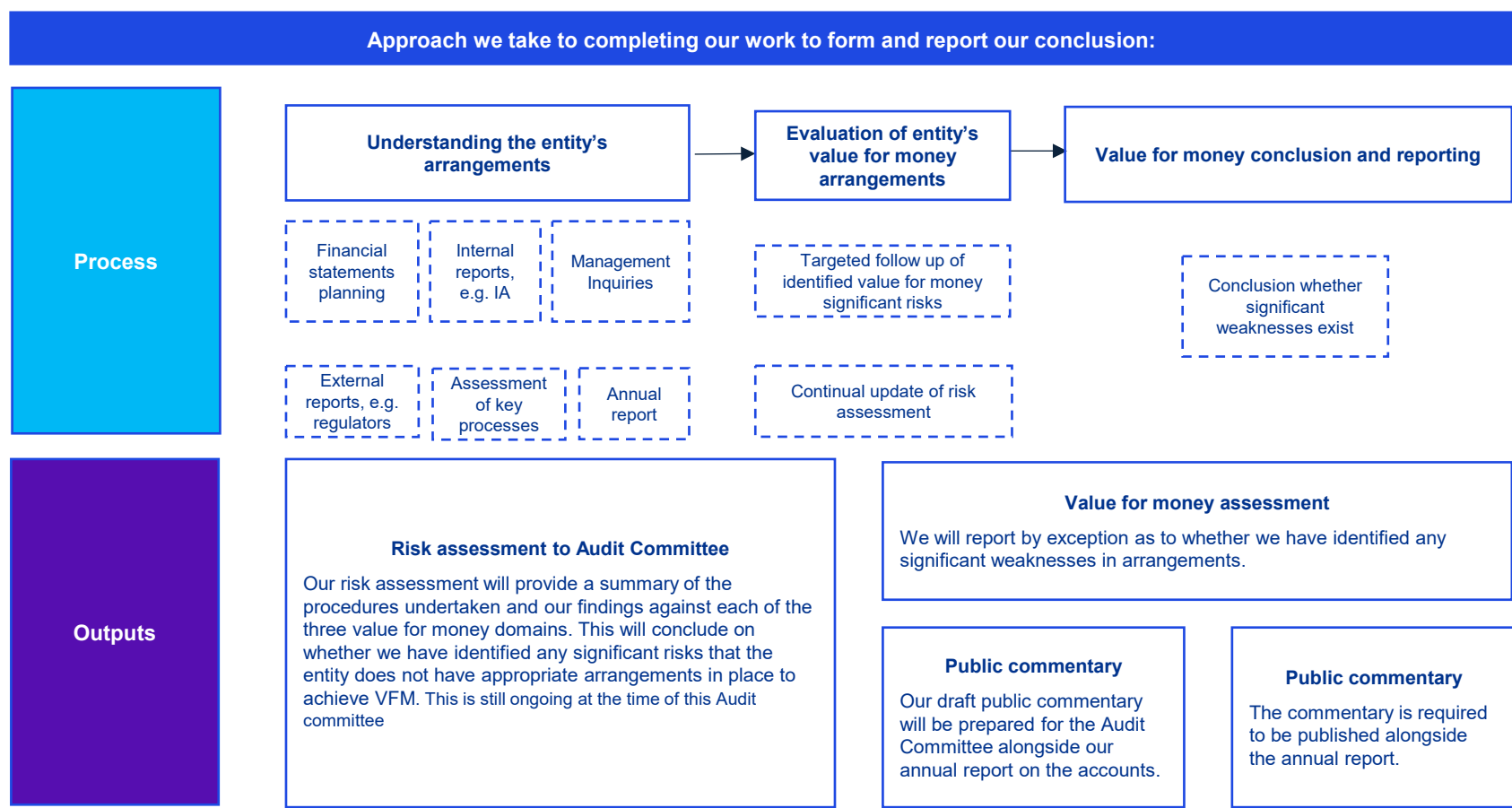
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Value for money

Page 147



Value for money

Summary of work to date

We have not completed our risk assessment for value for money at the date of reporting and we will provide our full risk assessment at the next Audit Committee.

Page 148

Appendix

	Page
A Audit team	18
B Audit cycle & timetable	19
C Fees	20
D Confirmation of independence	21
E KPMG's Audit quality framework	23
F Understanding of IT	24
G Newly effective accounting standards	25
H FRC's Areas of Focus	26

Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit partner and firm.

	<p>Emma is the director responsible for our audit. They will lead our audit work, attend the Audit Committee and be responsible for the opinions that we issue.</p>		<p>Jodie is the manager responsible for our audit. They will co-ordinate our audit work, attend the Audit Committee and ensure we are co-ordinated across our accounts and VFM work.</p>
---	---	---	--

Page 150

To comply with professional standard we need to ensure that you appropriately rotate your external audit partner. There are no other members of your team which we will need to consider this requirement for:



This will be director's second year as your engagement lead. They are required to rotate every five years, extendable to seven with PSAA approval.

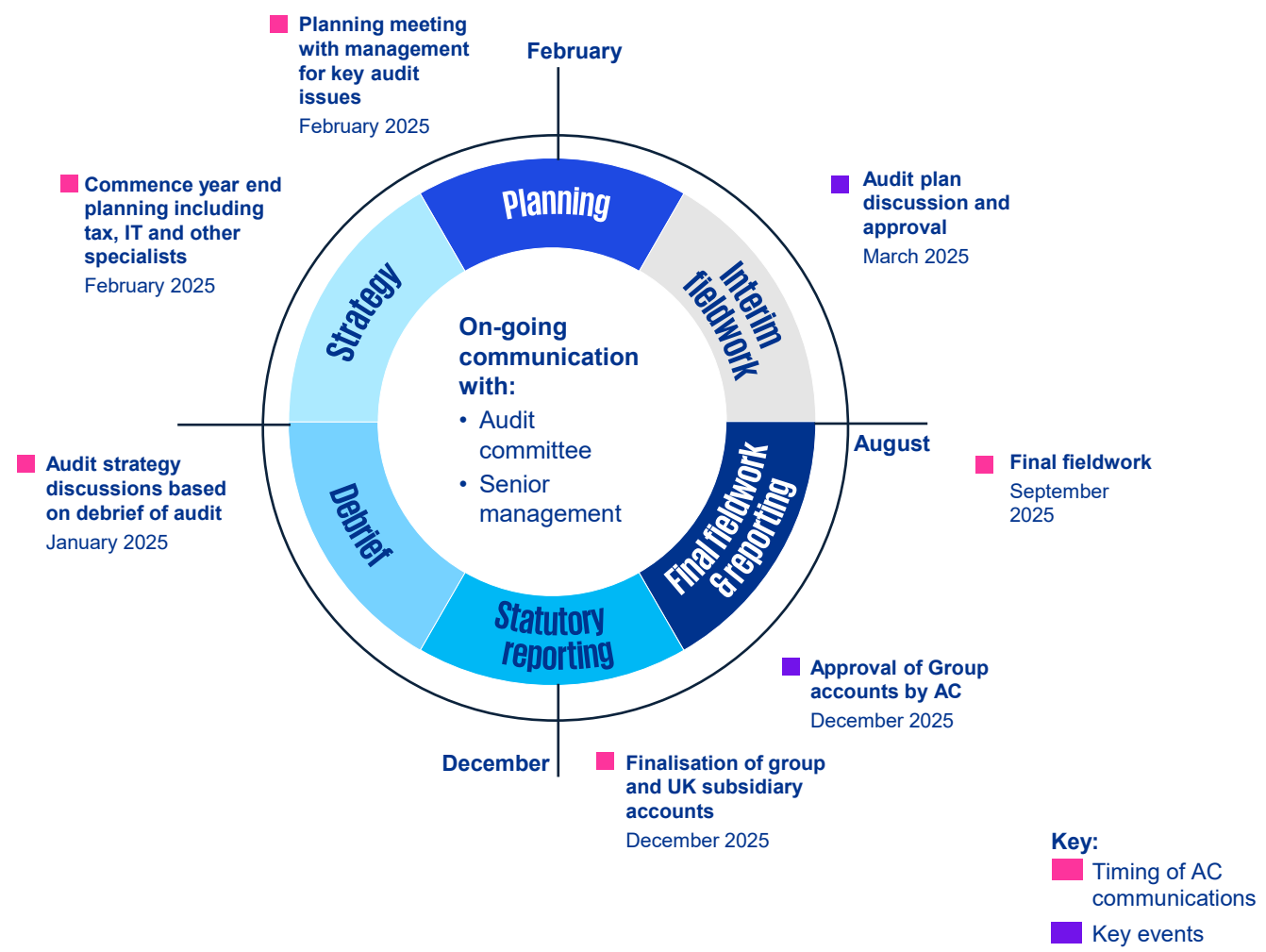
Audit cycle & timetable

Our schedule 01 2025 – 12 2025

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by December 2025.

Page 151



Fees

Audit fee

Our fees for the year ending 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2024/25 (£'000)
Statutory audit	162	177
ISA315r	9	-
Fee variations	18	TBC
TOTAL	189	177

As per PSAA's Scale Fees Consultation, the fees assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

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

Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

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 Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of Tendring 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.

We are satisfied that our general procedures support our independence and objectivity except for those detailed below where additional safeguards are in place.

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

Summary of non-audit services

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out on the table on the next page

Description of scope of services	Principal Threats to independence	Safeguards applied	Basis of fee	Value of services delivered in the year ended 31/3/24
Council's Pooling of Housing Capital Receipts Return for 23/24.	Assumption of management responsibilities Self interest	Standard language on non-assumption of management responsibilities is included in our engagement letter. The level of fees is not considered to cause a significant self interest threat	Fixed	23/24: £5k

Page 153



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 0.03:1. 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.

	2024/25
	£'000
Statutory audit	177
Other Assurance Services	5
Total Fees	182

Page 154

Application of the FRC Ethical Standard 2019

We communicated to you previously 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

Emma Larcombe

KPMG LLP

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.

Page 155

Commitment to continuous improvement

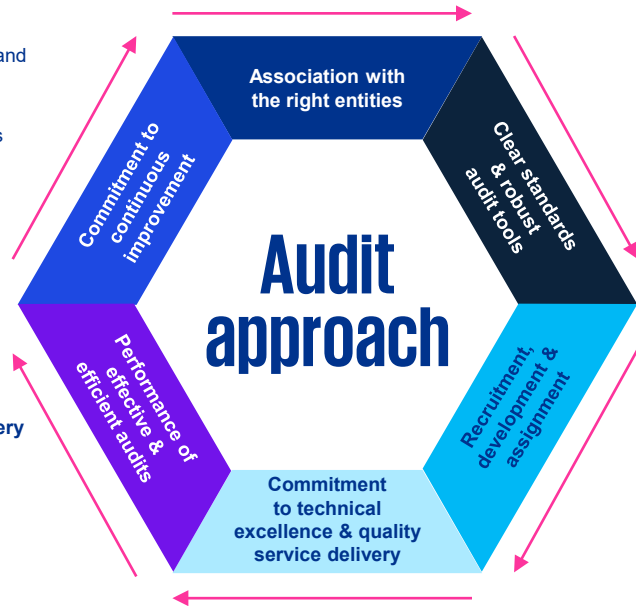
- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

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 entities 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 and specialists

Understanding of IT



Page 156

Summary

The release of ISA 315 (UK) revised brought an increased focus on Understanding of IT in the audit, and it continues to be an area of focus.

Stakeholders now expect auditors to not only understand IT in detail, but also to consider the impact of the findings from their risk assessment procedures on their planned audit approach.

Why is Understanding of IT so important?

Businesses continue to embrace increasingly complex and sophisticated IT systems and place more and more reliance on automated IT processing not simply for a competitive advantage, but also for "business as usual" operations.

This increased reliance means that to effectively audit accounts, balances and transactions, auditors are required to understand and challenge more around how those IT system and process work.

Therefore, Understanding of IT is a crucial building block of our audit strategy and influences our planned audit approach at every stage.

This is true regardless of whether controls reliance is planned or the audit is expected to be fully substantive in nature.

What kind of things might we identify?

As part of our risk assessment procedures, we perform:

- An assessment of the formality, or otherwise, of certain financially relevant IT processes
- An evaluation of the design and implementation of related general IT controls
- An evaluation of the design and implementation of automated process level controls

As a result of these procedures, we may identify IT control deficiencies or IT process informalities that may have an impact on our planned audit approach.

Additionally, we may identify findings related to the wider control environment or threats to the accuracy or completeness of the information used by both entity management and auditors alike.

What does this mean for our audits?

Auditors are being asked to consider the findings from their risk assessment procedures over IT in relation to the planned audit approach.

The findings may impact any area of the audit, however there are three main areas of focus where we anticipate that most impact as a result of identifying IT deficiencies or IT process informality;

- Increased risk to data integrity
- Additional fraud risk factors
- Additional high-risk criteria to be used in journals analysis

It is important to understand that these findings may have an impact regardless of planned reliance on automated controls and general IT controls.

Newly effective accounting standards and relevant IFRIC items

Page 157

Standards	Expected impact				Effective for years beginning on or after		Early adoption permitted
	High	Moderate	Low	None	01 Jan 2024	1 Jan 2025	
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)		●			✓		✓
Classification of liabilities as Current or Non-Current and Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)			●		✓		✓
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)			●		✓		✓
Lack of exchangeability (Amendments to IAS 21)			●			✓	✓
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures) *				○			✓
UK legislation on international tax system reform (BEPS)			●		✓		✓
IFRS S1** General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2** Climate-related Disclosures			●		✓		✓

* The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

** The implementation and the effective dates of IFRS® Sustainability Disclosure Standards are subject to local regulation

FRC's areas of focus

Page 158

The FRC released their [Annual Review of Corporate Reporting 2022/23](#) in October 2023. In addition, they have released three thematic reviews during the year should be considered when preparing reporting for the current financial period.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the [entity]/[group].



Reporting on the effects of inflation and other uncertainties

This year's Annual Review of Corporate Reporting identifies that companies continue to face significant economic and geopolitical uncertainty and annual report and accounts should therefore tell a coherent story about the impacts on the business and the assumptions the company has made in preparing the financial statements.

The FRC notes that interest rate rises in response to persistent inflation, the related impact on consumer behaviour, and limited growth present a particularly challenging environment for companies. Financial reporting needs to set out the impact of these issues on their business, and the assumptions which underpin the values of assets and liabilities in financial statements. Significant changes in discount rates and future cash flows are expected as a result and they should be highlighted.

The impacts of uncertainty on companies' narrative reporting and financial statements are numerous, but the FRC sets out its clear disclosure expectations for 2023/2024:

- Disclosures about uncertainty should be sufficient to meet relevant requirements *and* for users to understand the positions taken in the financial statements.
- The strategic report should give a clear description of the risks facing the business, the impact of these risks on strategy, business model, going concern and viability, and disclosures should be cross-referenced to relevant detail in the report and accounts.
- Transparent disclosure should be provided of the nature and extent of material risks arising from financial instruments.

Preparers should take a step back to consider whether the annual report, as a whole, is clear, concise and understandable and whether additional information, beyond the requirements of the standards, is necessary to understand particular transactions, events or circumstances.



Climate-related reporting

Companies in scope for either UK Climate-related Financial Reporting (through the Companies Act requirements last year) or Taskforce on Climate-Related Disclosures (TCFD) (through listing rules or other regulatory requirements) have now reported for the first time. Companies should be reconsidering these disclosures and reflecting any changes in the business or strategy that have happened since last years reporting, to ensure the disclosure remain relevant and reflects the impact of climate-related risk on the Company.

Climate-related risks remains an area of ongoing focus for the FRC as they embed the review of these disclosures into their routine annual reviews. The FRC has highlighted that it expects companies to provide improved disclosure explaining the linkage between narrative reporting on uncertainties such as climate change, and the assumptions made in the financial statements.

In respect of TCFD disclosures, the FRC notes that sustainability reporting requirements continue to evolve and companies are still at very different stages in their reporting in this area. The FRC expect in scope entities to provide a clear statement of consistency with TCFD which explains, unambiguously, whether management considers they have given sufficient information to comply with the framework in the current year. Companies must, in any case, comply with the new mandatory requirements for disclosure of certain TCFD-aligned information.

In relation to the specific thematic on metrics and targets they highlighted five areas of improvement:

- the definition and reporting of company-specific metrics and targets, beyond headline 'net zero' statements;
- better linkage between companies' climate-related metrics and targets and the risks and opportunities to which they relate;
- the explanation of year-on-year movements in metrics and performance against targets;
- transparency about internal carbon prices, where used by companies to incentivise emission reduction; and
- better linkage between climate-related targets reported in TCFD disclosures and ESG targets disclosed in the Directors' Remuneration Report.

FRC's areas of focus (cont.)

Page 159

Impairment of assets

Heightened economic uncertainty, high inflation and higher interest rates have resulted in more instances of impairment or reductions in headroom, prompting the need for more detailed disclosures under IAS 36. The FRC notes that many of the queries it has raised with companies in the past year would have been avoided by clearer, more complete disclosures.

Disclosures should provide key inputs and assumptions applied, along with relevant values and sensitivity information where impairments could arise from reasonably possible changes in assumptions.

Assumptions and sensitivities should be consistent with information provided elsewhere in the annual report, including those related to climate and other commitments, and with the wider economic environment; where there are inconsistencies, these should be explained.

Discount rates should be consistent with the assumptions in the cash flow projections, particularly in respect of risk and the effects of inflation.

Judgements and estimates

Providing quality disclosures in this area remains particularly important in the light of ongoing economic and political uncertainty. The FRC has noted that often disclosures did not contain sufficient information about the key assumptions or appeared inconsistent with disclosures given elsewhere in the annual report.

Disclosures should explain the significant judgements made and provide quantified sensitivities where there is a significant source of estimation uncertainty. This includes judgements and estimates relating to the going concern assessment and accounting for inflationary features, including the use of discount rates. Significant estimates should be reassessed each year and changes to assumptions explained.

The FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to carrying amounts within the next year, and other sources of estimation uncertainty.

Cash flow statements

Cash flow statements have again been an area where the FRC have raised many queries and it remains one of the most common causes of prior year adjustments. Most queries raised by the FRC relate to unusual or complex transactions which have not been appropriately reflected in the cash flow statement.

Companies should ensure that descriptions of cash flows are consistent with those reported elsewhere in the report and accounts, with non-cash investing and financing transactions being excluded, but disclosed elsewhere if material.

In addition, companies should ensure that cash flows are appropriately classified between operating, financing and investing, and cash flows should not be inappropriately netted. Cash and cash equivalents should comply with the relevant definitions and criteria in the standard.

Strategic report and other Companies Act 2006 matters

Strategic reports should focus not only on financial performance but should also explain significant movements in the balance sheet and cash flow statement. They should articulate the effect of principal risks and uncertainties facing the business, including economic and other risks such as inflation, rising interest rates, supply chain issues, climate-related risks and labour relations.

In addition, the FRC reminds companies that they should comply with the legal requirements for making distributions and repurchasing shares including, where relevant, the requirement to file interim accounts to support the transaction.

Financial instruments

Companies should ensure that the nature and extent of material risks arising from financial instruments (including inflation and rising interest rates), and related risk management, are adequately disclosed.

This includes disclosures being sufficient to explain the approach and significant assumptions applied in the measurement of expected credit losses, including concentrations of risk, and assessments should be reviewed and adjusted for forecast future economic conditions.

The effect of refinancing and changes to covenant arrangements should be explained, with information about covenants being provided unless the likelihood of a breach is remote.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

FRC's areas of focus (cont.)

Page 160

Income taxes

Following their thematic review last year, the FRC reminds companies that the nature of evidence supporting the recognition of deferred tax assets should be disclosed, and should factor in any difficult economic environment.

Additionally, companies should ensure tax-related disclosures are consistent throughout the annual report, uncertain tax positions are adequately disclosed, and material reconciling items in the tax rate reconciliation are presented separately and appropriately described.

Provisions and contingencies

Clear descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow should be provided.

Inputs used in measuring provisions should be consistent in the approach to incorporating inflation, and details of related assumptions should be provided.

Revenue

Where variable consideration exists, companies should provide sufficient disclosure to explain how it is estimate and constrained.

Accounting policies and relevant judgement disclosures should be provided for all significant performance obligations. Those disclosures should address in sufficient detail the timing of revenue recognition, the basis for recognising revenue over time and the methodology applied.

Lastly, the FRC reminds companies that inflationary features in contracts with customers, and the accounting for such clauses, should be adequately disclosed and clearly explained.

Presentation of financial statements and related disclosures

The FRC expects companies to disclose company-specific information to meet the overall disclosure objectives of relevant accounting standards, and not just the narrow specific disclosure requirements of individual standards. They set out a clear expectation that additional information (beyond the minimum requirements of the standards) should be included where needed.

Fair value measurement

Fair value measurement has returned this year as one of the FRC's top ten issues raised in their correspondence with companies, and this has been the topic of a [thematic review](#). Common queries raised include the omission of sensitivity disclosures and the quantification of unobservable inputs into fair value measurements.

The FRC reminds companies that they should use market participants' assumptions, rather than their own, in measuring fair value.

Thematic reviews

Over the past year FRC has issued Thematic reviews on the following topics:

- Climate-related metrics and targets
- IFRS 13 Fair value measurement
- IFRS 17 Insurance contracts – Interim disclosures in the first year of application
- Reporting by the UK's largest private companies

2023/24 review priorities

The FRC has indicated that its 2023/24 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:

-  Travel, hospitality and leisure
-  Retail and personal goods
-  Construction materials
-  Gas, water and multi-utilities



kpmg.com/uk

Some or all of the services described herein may not be permissible for KPMG audited entities and their affiliates or related entities.

© 2025 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

This page is intentionally left blank

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank