



# Tendring District Council

Auditor's Annual Report: Years ended  
31 March 2021

31 March 2022

31 March 2023

Report to the Audit Committee

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# Welcome

## Executive Summary

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This Auditor's Annual Report provides a summary of the key issues arising from our audit of Tendring District Council (the 'Authority') for the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

### Financial statements

We issued the following opinions on the Authority's financial statements on the following dates:

- Year ended 31 March 2020, qualified opinion on X December 2024.
- Year ended 31 March 2021, disclaimer opinion on X December 2024.
- Year ended 31 March 2022, disclaimer opinion on X December 2024.

Where an opinion is qualified, this means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year, except for the area qualified.

Where we have issued a disclaimer of opinion it is due to the legislated backstop date. To clear the backlog of historical accounts and 'reset' the system, the Accounts and Audit (Amendment) Regulations 2024 require local bodies to publish audited financial statements for all outstanding years up to and including 2022/23 by 13 December 2024 ('the backstop date'). In addition, the National Audit Office has made changes to the Code of Audit Practice to require local auditors to comply with backstop dates by giving their opinions in time for audited accounts to be published.

### Value for money

The revised Code of Audit Practice 2024 that has been laid in Parliament and came into force on 14 November 2024. The revised Code allows auditors to issue a combined commentary on value for money arrangements for outstanding audits up to and including 2022/23 in a single report against a reduced set of criteria, focused on financial sustainability and governance arrangements.

We have not identified any significant weaknesses in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources having regard to the specified criteria in the Code.

### Other reporting

We did not consider it necessary to use our auditor powers or report on other matters.

The contents of this report relate only to those matters which we are required to report under the NAO Code of Audit Practice (2024). This report has been prepared solely for the use of the Authority and should not be shown to any other person without our express permission in writing. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.



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# Purpose and responsibilities

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### **Purpose of the Auditor's Annual Report**

This Auditor's Annual Report summarises the key issues arising from the work that we have carried out in respect of the years ended 31 March 2021, 31 March 2022 and 31 March 2023.

It is addressed to the Authority but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public.

### **Responsibilities of the Authority**

It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

The Authority is also responsible for preparing and publishing its Statement of Accounts, which includes its financial statements, narrative report and annual governance statement.

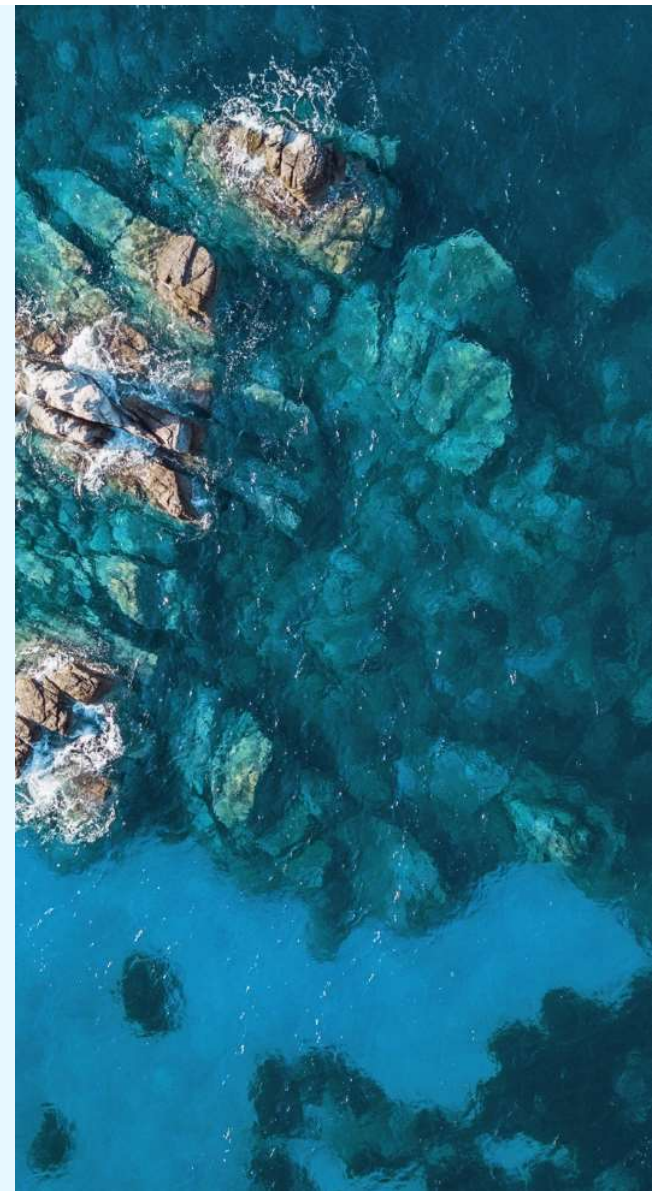
### **Responsibilities of auditors**

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice 2024 (the 'Code'). The full requirements of our audit are listed in Appendix 1.

### **Additional reporting powers**

The Code also identifies additional reporting powers, which are also included in Appendix 1.

We can confirm that that no additional reporting powers have been used.





# Financial statements

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### Audit conclusion - year ended 31 March 2021

We issued a qualified audit opinion on the financial statements on X December 2024.

This means that we consider that the financial statements give a true and fair view of the financial position and its expenditure and income for the year except for the areas stated in the basis for qualification.

We reported findings whilst the audit was in progress, but substantively complete, to the 13 July 2023 Audit Committee and present an update on our findings on 9 December 2024.

### Significant deficiencies in controls - year ended 31 March 2021

We have identified the following significant control deficiencies during the audit of the financial statements:

- 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.
- Accounting policy on infrastructure assets: The accounting policy does not specifically address the componentisation of infrastructure assets, information on how infrastructure assets are derecognized, or provide details on the useful life for each type of infrastructure asset. Instead, it broadly states that the useful life for infrastructure assets is 20 years and discusses the basis used for calculating depreciation without getting into specifics of individual infrastructure categories and it includes disclosures that apply generally to the PPE class. The council applied this blanket wide 20 years useful life to seafront defences, which was not based on expert advice but instead a judgement exercised by management without relevant substantive evidence.



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### Audit differences

The audit identified no material misstatements.

There were 5 unadjusted audit differences identified by our audit which would not have an impact the net operating expenditure for the year. Management did not adjust the financial statements for these items as the impact was not material.

### Disclaimed audits

For the years ended 31 March 2022 and 31 March 2023, we issued a disclaimer of opinion on the financial statements on X December 2024.

These were disclaimed because we were not able to complete our work prior to the backstop date.

### Significant difficulties in undertaking the audit

Where auditors have reported under ISA(UK) 260 on delays to the audit opinion or significant difficulties encountered when undertaking their work, these should be reflected in the Auditor's Annual Report unless the auditor judges that public disclosure would not be appropriate. While noting that the audit has taken longer to deliver than anticipated due to ongoing issues within the audit sector, we have not experienced any such difficulties.



# Value for Money

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### Scope

We are required to review and report on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in these arrangements, we are required to report this in the auditor's report included in the financial statements and to make recommendations for improvement.

### Specified criteria

The NAO has issued guidance for auditors to report against two specified reporting criteria:

- Financial sustainability - planning and managing resources to ensure the Authority can continue to deliver its services
- Governance - informed decisions and properly managing risks

The Code also includes a number of further areas for review within each criteria to allow the auditor to assess those arrangements.

This scope covers audits for the years 2020/21 to 2022/23 inclusive and represents a reduction in scope compared to the 2020 Code previously in force.

### Risk assessment

Our risk assessment identified three risks of significant weakness, as follows:

- In the prior year (2019-20), we identified some significant amount of carry forward each year from the planned projects of revenue and capital items, which indicates an issue of deliverability of planned projects. There is a

risk that reserves are not being held at the optimum level, given that a number of them have not moved notably in recent years. (2021).

- Data security breaches: There is a practice of auto-forwarding of Councillors' emails to personal email accounts. There is a risk that the Council may breach Data Protection laws should this practice continue. (2021, 2022, 2023)
- Over-reliance on central government grants could impact the flexibility of delivering services and capital projects





# Value for Money (2020 Code)

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### Scope

At the time of planning the audit for the year ended 31 March 2021 our VFM risk assessment was performed having regard to the Code of Audit Practice (2020) originally in place.

Whereas the approved revisions to the Code of Audit Practice (2024) bring about a reduction in the scope for local authority audits for the years ending 31 March 2021, 31 March 2022 and 31 March 2023, the work we have performed exceeds the requirements of the revised Code, only for the year ended 31 March 2021.

Our commentary therefore includes a section on the sub-criteria Improving economy, efficiency and effectiveness, as this fell under the original scope.

Note that the Code of Audit Practice (2020) also includes specific arrangements within Financial Sustainability and Governance that are similarly scoped out in the Code of Audit Practice (2024). These are as follows:

#### Financial Sustainability

- The consistency of financial plans with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

#### Governance

- How the body approaches and carries out its annual budget setting process
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and

standards in terms of officer or member behaviour

Our work for the year ended 31 March 2021, 31 March 2022 and 31 March 2023, included reviewing arrangements in place against these areas. Where relevant, this has been referred to in our commentary.

Please note that these additional procedures were only performed for the year ended 31 March 2021.





# Value for Money

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### Audit conclusion

We have not identified any significant weaknesses in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

For all of the years covered by this report, we had no matters to report by exception in the audit report on the financial statements. We also have no matters to report in our closing audit certificate, on completion of our work on the Authority's value for money arrangements.



# Financial Sustainability

## Planning and managing resources

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### Auditor's commentary on arrangements

#### Areas reviewed

- *How significant financial pressures relevant to short and medium-term plans are identified and built into plans*
- *Plans to bridge funding gaps and to identify achievable savings*
- *How financial plans support the sustainable delivery of services in accordance with strategic priorities*
- *Identification and management of risks to financial resilience e.g. unplanned changes in demand, including challenge of assumptions underlying its plans.*

The primary means by which the Authority supports financial sustainability is the Long-Term Financial Plan. The Council has updated this plan on an ongoing basis throughout the 3 financial years under review. The planning includes identifying and capturing significant risks such as changes to government funding, and the identification of savings which required some challenging decisions.

For the periods under review, the budget has been finalised in February of each year, with reports in all cases being taken to the Cabinet and Full Council. In practice much of the consultation takes place earlier in the year.

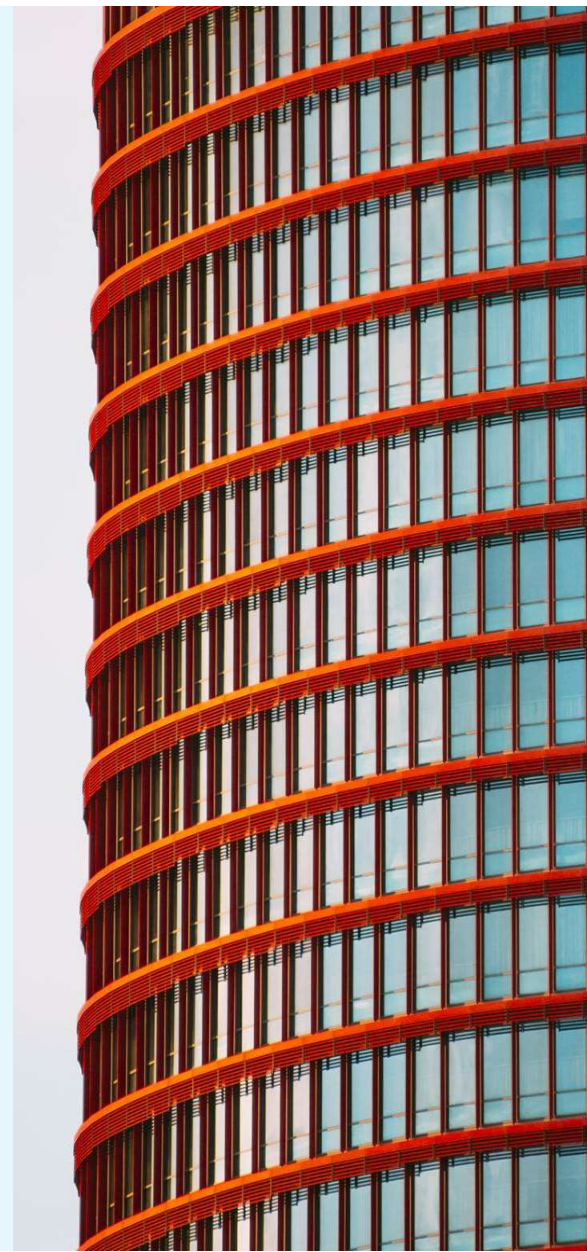
The Council sets out a budget considering financial forecasts and reserves. We note evidence of a risk assessment of the forecast, a long-term financial forecast, an analysis of forecast sensitivities, and four quarterly in-year financial performance reports against the budget. Reports compare financial outturns between years, highlighting and explaining any variances. Significant cost pressures are updated quarterly to ensure effective monitoring and management.

The Council's General Fund budget had a forecast surplus of £0.393 million for 2020-21, a forecast deficit of £1.049 million and the forecast budget deficit was £0.431 million for 2022-23. The main cost pressures in the 2021/22 budget, amounting to £0.647 million, included maintaining open spaces, supporting the digitalisation programme, transport, fleet maintenance, a reduction in Government grant funding, recovery from Covid-19, and inflation.

The medium to long-term response is the utilisation of the Forecasting Risk Fund, of around £1.5 million across the 3 years under review, with over £3m estimated to be held in this reserve by the end of 2022/23. The Council has continued to a forecast budget deficit for the financial periods 2023-24 and 2024-25.

The financial pressures are evident in the performance report. The Corporate Finance and Governance report presented to Cabinet for quarter 2 of 2022/23 highlighted several emerging issues impacting the Council's financial position. These include inflation, supply chain disruption, energy cost increases, and commodity price increases. The report and the financial strategy document are updated regularly, identifying significant risks such as uncertainty in Government funding, identifying savings, robustly challenging the budget, and monitoring. As of the end of September 2022, the estimated additional costs in 2022/23 totalled £3.389m.

The Council considers that the long-term financial position is sustainable and that the required savings are achievable. Savings plans were relaxed in 2021/22 from £0.3 million to around £0.2 million, but a savings target of £0.450 million per year was set for 2022/23.



# Financial Sustainability

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The Council has an asset strategy for managing, reviewing, acquiring, and disposing of its assets to use properties effectively for delivering services.

The council takes into account the capital programmes during the budgeting process. An example of this is are the coastal defences projects.

The Council's coast protection responsibilities are significant, with remedial works required to address related risks. With a 60km coastline, the Council maintains sea defence structures along 18.5km. Funding is allocated for coastal protection, but more is needed to ensure safety and protection structures are in place before catastrophic cliff failure threatens towns in the district. Annual inspections of coast protection structures are carried out, and the Council responds swiftly to public reports of faults. Each year, sections of the sea defences are improved as part of a rolling programme of special maintenance schemes. In the long term, continuous expenditure is likely to mitigate tidal surges on the North Sea. The Council's current actions show awareness and effective medium-term action.

The Council has allocated funding to a large capital scheme of coastal protection and is seeking more funding. The capital scheme looks to ahead to the medium-term to ensure safety precautions and protection structures are already in place before catastrophic cliff failure threatens the towns in the district. This pre-empt the risk of unforeseen expenditure and ensures funding is available if unforeseen expenditure still arises.

The Beach recharge reserve was not utilised for several years (2018-19 to 2021-22), however, subsequent to the 2020-21 financial year, the utilisation thereof was approved in a Council meeting on 27th April 2021. It has since been utilised in the

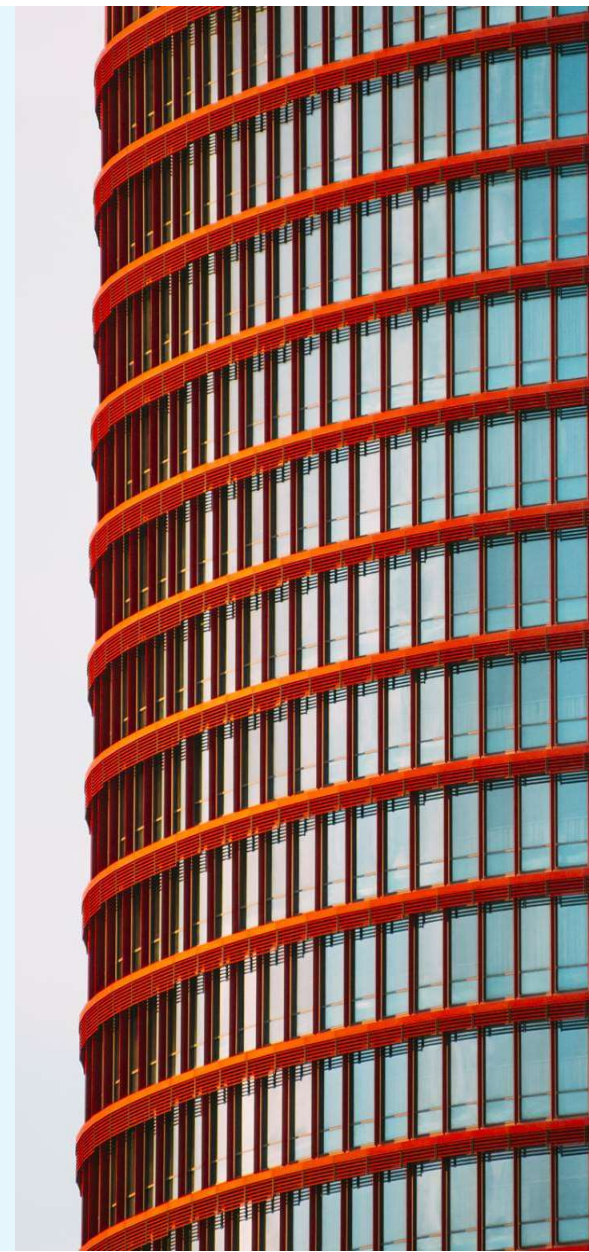
2022-23 financial year.

The Council frequently reviews its HRA Business Plan to take into account any changing circumstances. The review of the business plan and the HRA budget is frequently communicated to management for contributions and approval in Cabinet and full Council meetings.

### **Conclusion**

We have not identified any significant weaknesses in the Financial Sustainability arrangements for 2020/21, 2021/22 and 2022/23.

Additionally, the prior year recommendations are being implemented as evidenced by the implementation of the beach recharge reserve.



# Governance

## Informed decisions and properly managing risks

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### Auditor's commentary on arrangements

#### Areas reviewed

- *Risks are assessed and monitored to gain assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud*
- *Effective systems and processes are in place to ensure budgetary control, to communicate relevant, accurate and timely management information, support statutory financial reporting requirements and ensure corrective action is taken where needed, including in relation to significant partnerships*
- *The Authority makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency*

These functions are primarily performed through the Audit Committee. Throughout the period, key elements of this remit include:

- Review of updates from internal and external audit, including plans, progress reports and the results of work
- Review of corporate risk register and associated policies
- Key financial indicators
- Capital and Treasury management strategy
- Fraud and corruption arrangements

There is a risk management framework in place using a grading matrix of likelihood and consequence to evaluate and treat risks. This produces a risk score on the risk register, allowing the Council to prioritise risks effectively.

As per the risk register, risks assessed include catastrophic IT network failure, ineffective cybersecurity, and failure to deliver effective

counter-fraud activities. The Internal Audit team produces annual, detailed reviews of high-risk areas, allowing them to focus on the different ways risks arise in various transactions within the Council's services. A specific working group meets regularly to discuss IT system updates and the effects and expectations on information governance from partnerships with external bodies.

Internal audit reviewed the effectiveness of the Council's risk management controls and concluded that there is a sound system of internal controls, though some minor areas of weakness were noted. An adequate assurance level was given by internal audit.

There is a systematic programme of internal audit work. The Internal Audit team performed audits on the internal controls and produces reports which detail reviews of high-risk areas for consideration by the Audit Committee.

For all three years, the Authority's head of internal audit opinion "Generally Substantial and Adequate, with two (2) improvement required in some areas for 2020-21, three (3) for 2021-22 and two (2) for 2022-23". The actions thereof are tracked by the Internal Audit function with an adequate arrangements in place for escalation if required.

The Council's Anti-Fraud and Corruption Strategy that is reported annually to the Audit Committee. The Fraud and Compliance team has been established to undertake counter-fraud roles. The Anti-fraud and Corruption strategy has been reviewed and amended appropriately annually over the 3 years under review. It is published for the public to access, which enables the public to assist in compliance, reporting benefit fraud. There is a system in place for referrals and investigation, and internal audit provides advice and recommendations to improve the control environment and mitigate exposure to fraud risks.





# Governance

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### Auditor's commentary on arrangements

Rules and procedures, as laid out in the Constitution, are publicly available on the Council's website. A recent review of the Constitution included updates to Council Procedure Rules, Property Dealing Procedure, Procurement Procedure Rules, committee sizes, and the protocol for live webcasting of meetings. This ensures the Constitution remains efficient, effective, and consistent.

We reviewed Information Governance policies and practice guidance, including policies for Corporate Monitoring, Information Retention, Remote Working, Data Protection, and Corporate Information Security. We also examined risk registers and meeting minutes.

The Council holds regular meetings of the Standards Committee, demonstrating commitment to handling complaints and upholding the Code of Conduct. There is regular review of the Code and the procedures for complaints to ensure they are up to date and comprehensive. The Council's dedicated legal team provides guidance on legislative compliance.

The Council has a number of committees, boards and working groups to enable delegated decision-making, as well as strong routes of regular reporting between the groups to ensure transparent communication and consistent shared knowledge.

The in-year performance reviews are presented to the Cabinet and the full Council by the Corporate Finance and Governance Portfolio Holder on a quarterly basis. This ensures that both Members and Chief Officers are aware of and can take action to respond to any risks that emerge during the year.

It is to be expected that Covid-19 would have had a major impact on the Council's budget for 2020-21. Adjustments to the budget were included within the financial performance reports during the year, including the outturn position for 2020/21 that had reflected the phased reopening of the facilities. It

was important to highlight that the adjustments made to the budget reflected the overall impact of the pandemic, which included the reduction in fees, along with the support from the Government's Sales, Fees and Charges Compensation Scheme

Quarterly budget monitoring including reports to Cabinet, set out options to respond to any adverse issues as necessary. The in-year financial performance reports were approved by the Council for all three years under review.

In 2021/22, the need for a Corporate Investment Plan that responds to the strain on the 'basic' budget has been identified. The on-going development of the Corporate Investment Plan shows commitment to responding to risks and ensuring the Council successfully delivers services within the governance framework.

There was a monitoring process in place for projects, through the Project Board. There were also processes in place for decision making. All decisions go through council.

The Council has firewall and anti-malware implementation, and there are Information Governance Policy Unit's quarterly reviews performed against Risk 1d. Ineffective cyber security.

With the significant increase of cyber-attacks the Council maintains an ongoing campaign to educate staff and members as to a range of cyber-attacks/ techniques.

The Council lead and provided up-to-date training for its staff and circulated material and instructions that responds to internal findings on the Council's security systems and external circumstances.





# Governance

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However, with the data protection laws in place, there is a risk that the Council could potentially be in breach of the Data Protection Act 2018 as the practice of auto-forwarding of Councillors' emails practice continued between the periods 2020-21 to 2022-23 and only fully implemented after May 2023.

### Recommendations

Our recommendations is for the Council to strengthen and expediate the implementation of solutions identified to prevent possible breaches of GDPR laws. Any breaches could have a financial penalty attached and an impact of the reputation of the Council.

### Conclusion

We have not identified any significant weaknesses in the Governance arrangements for 2020/21, 2021/22 and 2022/23 years.

However, we do provide a recommendation in relation to strengthening the implementation of arrangements that relate to risks assessed and monitored to gain assurance over the effective operation of internal controls.





# Governance - 2020/21

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*The Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).*

The Council's Standards Committee had regular meetings throughout the 2020-21 financial period. The discussions had at the Standards Committee show that the Council treat complaints and the upholding of the Code of Conduct seriously, regularly reviewing the Code and the procedures by which inhabitants of the Tendring District can make complaints, so that the Code is up to date and comprehensive, and the experiences of Tendring inhabitants are heard and recorded.

The Council had a dedicated Legal Team that is involved in a variety of Council issues to provide guidance on legislative compliance. The Legal Team keeps the Assistant Director (Governance) informed of their findings and involved in their discussions. The findings of the Legal Team are presented to the Cabinet and Council committees in formal reports frequently, ensuring there is up to date communication across the management of the Council regarding legislative compliance.

The Council produced regular reports for the Management Team on Health and Safety monitoring that show that across the periods the reports cover, regular checks and assessments of a wide range of potential risks are performed. Incidents are recorded and reviewed regularly, and even once incidents are concluded on, findings are communicated in the reports to management.

There was a corporate framework in place to ensure standards are monitored and maintained, regarding internal and external behaviour (with the community).

The Council's primary regulator is the Local Government & Social Care Ombudsman. Investigations in complaints raised against the Council did not raise any areas of serious concern. Findings of maladministration are reported to the Cabinet for decisions on a response and preventative actions going forward.

The Standards Committee oversaw the conduct of members, monitored and reviewed the operation of the Code of Conduct for Members, considered alleged breaches of the Code and monitored Members' declarations to ensure compliance with both the statutory and local registration requirements.

### **Conclusion**

From our work performed we have not identified any significant weaknesses in arrangements for this specific key line of enquiry for the 2020/21 year.



# Improving economy, efficiency and effectiveness - 2020/21

## Using information to improve services

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### Auditor's commentary on arrangements (2020-21)

#### Areas reviewed

- *Financial and performance information has been used to assess performance to identify areas for improvement.*
- *Services provided are evaluated to assess performance and identify areas for improvement*
- *The Authority delivers its role within significant partnerships, engages with stakeholders it has identified and assesses whether it is meeting its objectives*
- *Where the Authority commissions or procures services, how it assesses whether it is realising the expected benefits*

The Corporate Investment Plan was reported to Cabinet in March 2022. The Corporate Investment Plan reviewed existing projects and their proposed funding, to set priorities for 2021/22 and seek approval for finalised budget figures. Additional capacity was set out in a associated decision. The decision detailed above shows the Council responding to capacity needs with financial resources.

Additional Procurement capacity was set out in Cabinet report in September 2021.

There is a plan that has been approved to take into account climate change and sustainability. The plan continues to be reviewed and included in the priority actions of the Council in the years since 2020/21.

The Back to Business action plan was agreed by Cabinet at its 19 February 2021 meeting and included within its priority actions for 2021/22 which forms the background against which performance is being formally reported via the revised monitoring arrangements.

Clearly defined Terms of Reference are agreed between partners and the Authority. Action plans are agreed as appropriate for each project and reviewed on a regular basis. Action plan delivery is monitored regularly together with feedback to Community Leadership Committee, Portfolio Holder and external partners.

A Community Asset Map has been produced via the North East Essex Alliance, this provides a useful tool to identify where to focus resources to strengthen and build more resilient communities.

Stage 2 of the Local Plan was formally adopted by the full Council in January 2022 after several rounds of review, reports and recommendations by various inspectors and committees. This enabled the Garden Communities project to develop into the partnership with Essex County Council, Colchester City Council and Braintree District Council.

Matrix management arrangements in place between the Authority and Essex County Council with clear workload management in relation to the Family Solutions through a partnership with Essex County Council.

The Council's procurement process is transparent and accessible. We have seen that in the process of procuring third parties, the progress and aims of each case are communicated across the decision-making boards of the Council for oversight and contributions.

The Council themselves have highlighted a risk that they are looking to mitigate through their procurement arrangement with Essex County Council: that service providers go into administration during the term in which they provide services to the Council.

The Council has identified the risk correctly so and currently looking to collaborate with Essex County Council to address this risk.







# Recommendations

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Our VFM work for 2020/21 to 2022/23 has not identified any significant weaknesses in the Authority's arrangements. However, we have identified opportunities for the Authority to improve their arrangements and have made a recommendation accordingly. These are detailed in the table below.

	Weakness Identified in arrangements	Year affected	Significant weakness noted?	Recommendation	Management response
1	Governance How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.	2020-21 2021-22 2022-23	No	The Council should expediate the implementation of solutions identified to prevent any risk of being in breach of GDPR laws.	Management response is that the arrangements to address the risk, have all been implemented post-May 2023 local elections under the newly elected Council.

# APPENDIX 1 - Additional Reporting Powers

## Informed decisions and properly managing risks

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Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's (NAO's) Code of Audit Practice - 2024 (the 'Code').

Under the Code, we are required to review and report on the following:

- To be satisfied that the accounts comply with the requirements of the enactments that apply to them
- To be satisfied that proper practices have been observed in the preparation of the statement of accounts and that the statement presents a true and fair view
- To be satisfied that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- To express an opinion on the accounts
- To certify completion of the audit
- To consider whether to issue a report in the public interest
- To consider whether to make a written recommendation to the audited body, copied to the Secretary of State

The Code also defines a number of additional powers and duties

- To give electors the opportunity to inspect and raise questions about the accounts and consider and decide upon objections received in relation to the accounts

- To apply to the court for a declaration that an item of account is contrary to law
- To consider whether to issue an advisory notice or to make an application for judicial review
- To comply with the Code of Audit Practice prepared by the Comptroller and Auditor General and approved by Parliament
- To have regard to any statutory guidance to auditors issued by the Comptroller and Auditor General



**For more information:**

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Director

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the company and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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