

AUDIT COMMITTEE

8 OCTOBER 2026

REPORT OF THE HEAD OF INTERNAL AUDIT

A.2 PERIODIC REPORT ON INTERNAL AUDIT – JUNE 2026 - SEPTEMBER 2026

(Report prepared by Craig Clawson)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To provide a periodic report on the Internal Audit function for the period June 2026 – September 2026, bi-annual update on Counter-Fraud arrangements and to provide an update on the Internal Audit Charter for approval by the Audit Committee as required by the professional standards.

EXECUTIVE SUMMARY

- Five audits have been completed since the last Audit Committee in June 2026. All five audits received a satisfactory level of overall assurance of 'Adequate Assurance' or 'Substantial Assurance'.
- A further 10 audits from the 2026/27 Internal Audit Plan have been allocated and seven are currently at the fieldwork phase.
- The Internal Audit Charter is provided to be reviewed and approved for the 2026/27 financial year. There have not been any changes to the Global Internal Audit Standards since the charter was last approved therefore the only changes required at this time were to only change references from 'Internal Audit Manager' to 'Head of Internal Audit'.
- A bi-annual update of Counter-Fraud work is provided as agreed in February 2026. The Fraud Risk Register is also provided evidencing high level internal control and mitigation that the Council implements to prevent fraud daily.
- An External Quality Assessment is due to be undertaken by the Institute of Internal Audit in February 2027.

RECOMMENDATION(S)

Members are requested to note the reports and consider whether they have received appropriate assurance on the following;

- That they have been adequately updated on internal audit and counter-fraud activities and workplans; and
- The Internal Audit Charter has be reviewed and approved.

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 reports are for information and consideration of the Audit Committee.

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 remain 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 8 th October 2026 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	
There are no direct implications associated with this report but will be considered as part of the delivery of the audit plan as necessary.	

IMPLICATIONS RELATED TO DEVOLUTION AND/OR LOCAL GOVERNMENT REORGANISATION	
There are no direct implications associated with this report but will be considered as part of the delivery of the audit plan as necessary.	
IMPLICATIONS FOR THE COUNCIL'S AIM TO BE NET ZERO BY 2050	
There are no direct implications associated with this report but will be considered as part of the delivery of the audit plan as necessary.	
OTHER RELEVANT IMPLICATIONS	
<i>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.</i> 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 Global Internal Audit Standards require the Head of Internal Audit to make arrangements for reporting to senior management (Management Board) and to the board (Audit Committee) during the course of the year, and for producing an annual Internal Audit opinion and report that can be used to inform the Annual Governance Statement.
PREVIOUS RELEVANT DECISIONS TAKEN BY COUNCIL/CABINET/COMMITTEE ETC.
N/A

INTERNAL AUDIT PROGRESS 2026/27

Five audits have been completed since the last Audit Committee in June 2026. All received a satisfactory level of overall assurance of 'Adequate Assurance' or 'Substantial Assurance'.

A further 10 audits from the 2026/27 Internal Audit Plan have been allocated and seven are currently at the fieldwork phase.

We are currently undertaking the 'Key Systems' phase of the audit plan, which encompasses a review of the Council's financial and core service systems and processes. These established systems are fundamental to the effective delivery of the Council's day-to-day operations. Although no significant issues are anticipated, given that these areas have historically been well managed, it remains essential to obtain regular assurance that the relevant systems and processes continue to operate effectively and are supported by appropriate controls.

Counter-Fraud and Compliance work is ongoing in this period along with GDPR priorities particularly relating to data sharing agreements, Freedom of Information Requests and Subject Access Requests.

A further update on Counter-Fraud and Compliance activities is provided later in this report.

Quality Assurance – The Internal Audit function issues satisfaction surveys for each audit completed. No unsatisfactory responses were received in this period.

Resourcing

Internal Audit currently has an establishment of 3 fte posts with the Head of Internal Audit's time split between Audit, Counter-Fraud, Compliance and Information Governance. Access to a third party provider of Internal Audit Services for specialist audit days is also available when needed. We have recently appointed a new apprentice to provide admin support for the Internal Audit, Counter-Fraud & Compliance and Information Governance teams.

Outcomes of Internal Audit Work

The Global Internal Audit 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 require the reporting of significant risk exposures and control issues.

Assurance	Colour	Number this Period	Total for 2026/27 Plan	
Substantial		1	1	
Adequate		4	4	
Improvement Required		0	0	
Significant Improvement Required		0	0	
No Opinion Required		0	0	

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: -

- No significant issues were identified in this 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	0	
Overdue less than 3 months	1	
Not yet due	1	

The Audit Committee requested more detail on the outstanding actions within the above table and on previous significant findings as a matter of context. Appendix B is a summary of those findings and agreed actions as well as including the service response and an internal audit status. This will become a regular appendix of the periodic progress reports going forwards.

Update on previous significant issues reported

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

INTERNAL AUDIT CHARTER

A requirement of the Global Internal Audit Standards (GIAS) is for the Audit Committee to review and approve the Internal Audit Charter on an annual basis. The Charter was last updated and approved in September 2025.

There have been no changes to the Global Internal Audit Standards since the Charter was last approved. Consequently, there is no requirement to amend the Internal Audit Charter at this time. The Internal Audit team continues to operate in accordance with the Charter by maintaining its independence and objectivity, delivering the approved risk-based audit plan, applying the required professional standards and reporting its activities, findings and assurance outcomes to senior management and the Audit Committee.

Compliance with the Charter is also monitored through the Quality Assurance and Improvement Programme and will be assessed in February 2027 when the External Quality Assessment (EQA) of the internal audit function is undertaken by the Institute of Internal Audit (IIA).

COUNTER-FRAUD & COMPLIANCE BI-ANNUAL UPDATE

This update provides the Audit Committee with a summary of Counter-Fraud and Compliance activity undertaken between February and September 2026. During this period, the team continued to support services across the Council through proactive compliance visits, fraud prevention and detection work, property verification, debt recovery activity and multi-agency enforcement.

Compliance

The Compliance Team continues to support the Revenues and Benefits function by ensuring that members of the public are receiving only the benefits and discounts they are entitled to relating to Council Tax and Business Rates matters, Class D reviews (uninhabitable properties), tracing enquiries and any other verification work ensuring that we have an accurate database of tenants and properties in the district. The following areas are included within their inspections and scheduled workplans.

Compliance activity continued across the district's principal new-build sites. This included regular reviews of the main developments and the issue of completion notices where appropriate. The work helps ensure that new properties are identified and brought into Council Tax administration promptly.

The Compliance Team are also continuing work with the Revenues and Benefits department with debt recovery as agreed at the previous Audit Committee. The work has identified cases where residents might have been entitled to government support, together with wider welfare concerns requiring referral to other Council services. It also secured information relevant to potential attachment of earnings and benefit deductions, supported the establishment of payment arrangements and provided opportunities to identify suspected fraud.

Counter-Fraud Activities

Tenancy fraud and property recovery

Counter-Fraud activity contributed to the recovery of **five properties** between February and September 2026. Four of these related to abandoned properties and one related to an identified subletting case. At the date of the update, a further two properties are subject to notice proceedings.

Recovering properties that are no longer being occupied in accordance with tenancy conditions helps protect the Council's housing stock and makes homes available for allocation to eligible applicants.

Tenancy audit programme

A renewed programme of tenancy audit work was being commenced at the date of the update. The intention is to progress this work at pace, providing additional assurance over the occupation and use of housing stock.

Fraud awareness

The Counter-Fraud Team has continued to deliver fraud awareness input to new employees across the Council. This activity supports the wider development of an effective counter-fraud culture by helping staff understand fraud risks and their responsibilities for identifying and reporting potential concerns.

Verification of new Council tenants

Counter-Fraud and Compliance officers introduced verification work for new Council tenants to identify potentially fraudulent applications and help protect access to the Council's housing stock. Compliance officers have also completed visits to non-secure tenants.

Commercial tenancy verification

The team also undertook verification work in support of Economic Growth for new commercial tenants. This provides an additional opportunity to validate information before commercial tenancy arrangements are completed.

Wider collaborative work

Counter-Fraud and Compliance officers continue to work collaboratively with services across the Council and with external partners. This included identifying potential houses in multiple occupation, planning concerns and other compliance matters requiring coordinated action. The team maintained a proactive approach to identifying issues and referring or progressing them with the relevant services.

The Fraud Risk Register at Appendix D sets out the key fraud risks faced by the Council and the high-level controls in place to manage those risks. These controls are owned and managed by services and can be grouped into four broad areas:

- **Preventative** (Controls in place to prevent fraud entering the system in the first place)
- **Directive** (Policy, Regulations, Procedures that rely mainly on trust and expectation to be followed)
- **Detective** (Investigations to determine root cause of the fraud or error)

- **Corrective** (Ensuring management action is taken to resolve the situation and we learn from mistakes)

The Audit Committee receives assurance through periodic internal audit progress reports, the Head of Internal Audit Annual Report, and the bi-annual Counter-Fraud update. The Fraud Risk Register identifies the main mitigation controls, while assurance over whether those controls are operating effectively is provided through audit findings, follow-up work and counter-fraud activity undertaken by, or on behalf of, services.

APPENDICES

Appendix A – Internal Audit Progress Report 2026/27
Appendix B – Action Tracking Summary – Major Findings
Appendix C – Internal Audit Charter
Appendix D – Fraud Risk Register

REPORT CONTACT OFFICER(S)

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Tendring District Council Internal Audit			
2026/27 Internal Audit Plan Progress Report			
Audit Title	Status October 2026	Audit Scope Summary	Audit Opinion
Key Systems / Key Financial Risk Areas			
Procurement	Allocated	To review the Council's ordering arrangements to ensure purchases are properly authorised, compliant with procurement rules and financial procedures, supported by approved budgets, and subject to controls that prevent retrospective or off-contract spend.	To be confirmed
Housing Benefits	Allocated	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	To be confirmed
National Non Domestic Rates	Allocated	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	To be confirmed
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	To be confirmed
Corporate Governance	Allocated	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.	To be confirmed
Council Tax	Allocated	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.	To be confirmed

A.2 APPENDIX A

Payroll	Allocated	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	Allocated	A full review of the internal controls and procedures relating to investing Council monies as well as short and long term borrowing	To be confirmed
Accounts Receivable	Allocated	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	Allocated	To review the internal controls and processes relating to the Councils Accounts Payable system and provide assurance that all processes are managed appropriately.	To be confirmed
Health and Safety	Unallocated	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			
Capital Programme	Fieldwork	To review the Council's capital programme governance, including project approval, monitoring, budget control, funding arrangements and reporting, to ensure schemes are managed effectively and support corporate priorities.	To be confirmed
Housing Repairs and Maintenance	Unallocated	To assess the internal control environment for reactive and planned housing repairs and maintenance, including works undertaken by the in-house team and external contractors, to ensure repairs are prioritised, monitored and completed appropriately.	To be confirmed
Contract Management	Fieldwork	To review the Council's contract management arrangements, including contract registers, monitoring, compliance with procurement requirements, performance management and arrangements for timely retendering, extension or exemption where appropriate.	To be confirmed

Housing Rents	Complete	To review the controls in place for housing rent setting, billing, collection, arrears management and account adjustments, ensuring rent income is accurately recorded, appropriately recovered and managed in line with relevant policies and legislation.	Adequate Assurance
Depot Operations	Fieldwork	To review processes and controls within the Council's depot operations, including asset management, stock control, security, health and safety arrangements, allocation of work and management oversight to ensure operations are effective and appropriately controlled.	To be confirmed
Environmental Services	Fieldwork	To review processes and controls within selected areas of Environmental Services, including compliance with relevant legislation, case management, inspection activity, performance monitoring and management oversight.	To be confirmed
Waste and Recycling	Complete	To review the effectiveness of waste and recycling arrangements, including contract management, service monitoring, performance reporting, customer feedback and compliance with relevant service standards and statutory requirements.	Adequate Assurance
Planning Enforcement	Fieldwork	To evaluate the effectiveness of Building Control governance, risk management and operational procedures, including application administration, inspection regimes, fee collection and compliance with relevant building control legislation and regulations.	To be confirmed
Housing Regulations Implementation Plan – Follow Up	Unallocated	To follow up progress against the Housing Regulations Implementation Plan, supporting the service in implementing new requirements and reinforcing existing processes to ensure compliance, accountability and effective monitoring.	To be confirmed
Risk Management	Complete	To review the Council's risk management framework, including risk identification, assessment, reporting, escalation and monitoring arrangements, to ensure risks are managed consistently and support informed decision-making.	Adequate Assurance

Service Planning	Unallocated	To review departmental service planning arrangements to ensure plans are clear, realistic, aligned to corporate priorities, supported by appropriate performance measures and capable of supporting future organisational change.	To be confirmed
Seafront Management	Complete	To review the Council's seafront management arrangements, including governance, asset management, maintenance and health and safety to ensure the seafront is managed effectively and supports wider corporate and community objectives.	Adequate Assurance
Local Government Re-organisation (LGR)	Unallocated	To provide assurance, advice and support in relation to Local Government Re-organisation, including governance, risk management, decision-making, programme controls and readiness arrangements as further details emerge.	To be confirmed
CCTV	Fieldwork	A review of the governance and management of CCTV, including regulatory compliance, policies, responsibilities, system maintenance, security, access to footage and third-party arrangements.	To be confirmed
IT Audit			
Cloud Management	Complete	To review cloud management arrangements, including governance, security, access controls, supplier management, cost monitoring, resilience and compliance with relevant policies to ensure cloud services are controlled and appropriately managed.	Substantial Assurance
IT Governance	Unallocated	To review the Council's IT governance arrangements, including strategic oversight, policies, roles and responsibilities, risk management and performance monitoring, to ensure IT services are effectively managed and aligned to corporate priorities.	To be confirmed
IT Disaster Recovery	Fieldwork	To review IT disaster recovery arrangements, including recovery plans, backup processes, testing, roles and responsibilities, communication arrangements and alignment with business continuity requirements.	To be confirmed

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
Disabled Facilities Grant	No contract in place for Council Disabled Adaptations	Disabled adaptation works relating to council tenants are managed by an in house team. The work itself is outsourced to third party contractors. The majority of contractors used to carry out disabled adaptation works are general builders, plumbers and electricians. While it is acknowledged there are some specialists, due to the nature of some adaptations, these are in a firm minority. At current, there are no contracts in place and each adaptation requires the quotation process to be initiated and treated as individual jobs, unlike the building maintenance contracts. In some cases, these works can exceed tender limits when aggregated both overall and to individual companies. As one example, over the last two years, the Council have paid one external company just over £150,000 (£100k last year & £50k so far for this one) to undertake disabled adaptation works, none of which are obviously specialist. Due to the cost of work carried out, it is a concern that no contracts have been established, especially those which are not specialists. Lack of contracts also risk lack of scrutiny of the companies, including financial resilience (to ensure longevity and ability to retro-fix any faults as well as displaying stability) and insurance.	As a short term solution to the issue, the existing Housing Responsive Repairs will be extended to include council adaptations. In the long term, a full tender process for the Housing Responsive Repairs contract to be carried out , which will include the works of disabled council adaptations as part of that. For specialist work, frameworks to be explored with a view of using them. Contract to be submitted to Audit.	Major	01/05/2025	In light of LGR other partnership options are being explored. For other smaller works the team is currently assembling a basket schedule of items for a short term competitive quotation exercidse to give reassurance around value for money as well as being a key information for the wider contract renewal/procurement which remains scheduled for a 2026 start date. Meanwhile all major projects such as extensions and remodelling are carried out as individual (bespoke) projects fully in line with tender requirements.	It is understood that it is prudent to determine which partnership arrangements are in place in light of LGR however short term interim arrangements need to be in place to comply with procurement and value for money obligations in the short term. Internal Audit will follow up on this area in future to ensure new processes are working effectively.
Council Tax	Lack of Recovery Action	Day to day management of short term recovery activities is undertaken effectively, however, the level of debt at the enforcement stage remains high and continues to rise year on year. Analysis shows that Council Tax arrears equated to 16.2% of the total collectable Council Tax balance at the end of 2024/25. Debt referred to enforcement agents has increased substantially, rising from £1.7 million in August 2022 to £13 million by November 2025. This now represents approximately 64% of all outstanding Council Tax liability. A further 10% of the outstanding liability relates to cases that have been returned by enforcement agents, indicating a significant backlog within the enforcement process.	A two year plan is to be developed to tackle the increase in overall Council Tax debt. The debt is made up of historic debts from the covid pandemic, some incorrect data records, reduction in capacity within the team and lower collection rates from the bailiffs. The plan will include a review of the bailiff service, increased capacity within the recovery team and support from the Compliance Team to review some of the old debts to determine legitimacy e.g. still the relevant tenant / owner. This will help reduce the overall Council Tax debt and ensure that Council Tax liabilities are at an acceptable level during Local Government Re-organisation.	Major	01/09/2026	The service have already started to look at bailiff arrangements and the introduction of text reminders to better support the recovery process. The Revenues Team have been working with the Fraud and Compliance Team, visiting households and offering support where possible.	Internal Audit are satisfied with the work that has progressed so far within the two year action plan. The service are actively taking various steps to support the public in payment of old Council Tax debts accumulated during and after COVID. Support is promoted and provided where possible. The Service have committed to undertake a number of other key activities, which are either underway or planned over the reminder of the year, that include: •increasing capacity within the Recovery Team and Legal Services •exploring further engagement opportunities with households •remaining alert to and exploring new ‘tools’ that are expected to become available from the HMRC regarding the sharing of date to support debt recovery activities undertaken by Local Authorities.

INTERNAL AUDIT CHARTER

1. INTRODUCTION

The Global Internal Audit Standards (GIAS) require the Chief Audit Executive, referred to within this Charter as the Head of Internal Audit, to establish an Internal Audit Charter that is consistent with the GIAS and the Purpose of Internal Auditing.

The Internal Audit Charter defines the purpose, authority and responsibility of the Internal Audit function within the Council.

The Standards require that the Charter be subject to periodic review and be formally approved by the Audit Committee. These reviews are to be undertaken by the Chief Audit Executive and reported to the Committee at least annually.

2. DEFINITION OF ROLES

The Standards use the terms Board, Senior Management and Chief Audit Executive.

In this Charter, and with regard to compliance with the GIAS, the following definitions apply;

GIAS term	TDC
Board	Audit Committee
Senior Management	Management Team
Chief Audit Executive	Head of Internal Audit

Throughout this document the titles used by this Council have been used for clarity purposes.

3. REQUIREMENT FOR INTERNAL AUDIT

The Accounts and Audit Regulations 2015 requires that **“a relevant body 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”**.

Tendring District Council is a relevant body, as defined by the Regulations.

Compliance with the Global Internal Audit Standards fulfils the requirements set in the Regulations.

The role of the Internal Audit function includes the discharge of statutory requirements relating to internal audit.

5. COMPLIANCE WITH THE GLOBAL INTERNAL AUDIT STANDARDS

The Global Internal Audit Standards, including the Purpose of Internal Auditing, Ethics and Professionalism, are mandatory requirements for the professional practice of internal auditing. Arrangements will be made to ensure that the Internal Audit function operates in accordance with the GIAS and that the mandatory requirements are present and operating effectively. Where circumstances prevent full conformance, appropriate safeguards or alternative measures will be adopted as permitted by the GIAS, and the Audit Committee will be made aware.

The Head of Internal Audit is responsible for maintaining an up-to-date Internal Audit Manual, which details the framework adopted to meet the requirements of the GIAS.

Internal Auditors will ensure that, in undertaking their duties, they demonstrate integrity, objectivity, competency and due professional care in line with the Ethics and Professionalism requirements of the GIAS.

The Head of Internal Audit will make arrangements for compliance and quality reviews to be undertaken in accordance with the GIAS, both at individual audit engagement level and for the service as a whole. The results of service reviews will be reported to the Audit Committee, together with any actions necessary to improve conformance.

The regular reports provided by the Head of Internal Audit will highlight any areas of non-conformance with the GIAS and the associated improvement actions.

6. MISSION, PURPOSE, RESPONSIBILITY, OBJECTIVITY AND SCOPE OF INTERNAL AUDIT

The purpose of the Internal Audit function is to strengthen the Council's ability to create, protect and sustain value by providing independent, risk-based and objective assurance, advice, insight and foresight.

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.

The key responsibilities and objectives for the Internal Audit function are to: -

- provide an Internal Audit services that discharges the Council's statutory responsibilities with regard to internal audit
- provide a service that is compliant with the requirements of the GIAS
- provide a service that conforms with the requirements of the GIAS
- enable the Head of Internal Audit to provide an annual opinion on the overall adequacy and effectiveness of the Council's control environment

- communicate effectively on risk and control issues, identified or that the Council might be exposed to, providing insightful, proactive and future-focused solutions where appropriate, that promote improvement to the Council's risk and control frameworks.
- deliver a quality service that strives to continually improve

The scope of Internal Audit includes: -

- undertaking independent risk based reviews to provide assurance on the effectiveness, efficiency and legality of management and service delivery arrangements
- undertake reviews using a range of audit techniques that are innovative and efficient and provide detailed insight on processes and procedures within a service area.
- undertaking independent ad hoc reviews as requested by management
- undertaking / participating in investigations including those in relation to potential fraud, corruption, bribery or irregularity
- undertaking proactive anti-fraud work examining emerging fraud risks and potential exposures identified
- providing consultancy and advice on major projects, and ad hoc advice upon demand
- dissemination to the organisation of best practice

The scope of the Internal Audit function's remit includes the Council's entire control environment, not just financial controls – this includes assurance and monitoring mechanisms, including risk management arrangements. It also extends to any services provided through partnership arrangements, or by external providers.

Where the Council works in partnership with other organisations, the Internal Audit function will provide a service as agreed between the partner organisations. The nature of assurances to be provided will be consistent with the requirements of the GIAS, the governance arrangements applicable to the partnership, and the terms of engagement for the assignments undertaken.

The Internal Audit function does not currently provide a service to any third party organisation, but may do so in the future if appropriate. The nature of assurances to be provided in such circumstances will be consistent with the requirements of the GIAS, the rules and regulations governing the organisation in question, and the terms of engagement contractually entered into.

The Head of Internal Audit will ensure that the planned Internal Audit work in any financial year provides sufficient coverage of the key financial, and other, systems to enable an opinion on the effectiveness of the Council's control environment to be formed. In lieu of work undertaken directly by the Internal Audit function, the Head of Internal Audit may place reliance on assurances provided by other assurance providers where they deem it appropriate to do so.

Consideration will be taken, in determining where Internal Audit activity should be focussed, of the Council's assurance and monitoring mechanism's including risk management arrangements.

The Internal Audit function can provide consultancy and advice to the functions of the Council and its management, usually of a one off and ad hoc nature. It may also be involved in assignments to aid development of new and improvement of existing processes. Mechanisms are in place to maintain independence and divisions of duty.

7. ORGANISATIONAL INDEPENDENCE OF INTERNAL AUDIT

The Internal Audit function will be independent of the activities that it audits to enable auditors to perform their duties in a manner that facilitates impartial, objective and effective professional judgements and recommendations.

A mechanism will be maintained that enables conflicts of interest, including previous employment responsibilities and any one off non audit duties undertaken, to be identified and recorded. Internal Auditors will not be allowed to undertake assignments / elements of assignments where a conflict of interest has been identified or to audit records where impartiality cannot be demonstrated.

The Head of Internal Audit has some other operational responsibilities of a governance nature. Arrangements will be maintained to ensure that the post holder is not involved in audits on such areas in either an operational or supervisory role to maintain independence.

The Head of Internal Audit will report at least annually to the Audit Committee on the organisational independence of the Internal Audit function.

8. ACCOUNTABILITY, REPORTING LINES AND RELATIONSHIPS

The Internal Audit function is located within the Corporate Services Department. The Head of Internal Audit's line manager is the Head of Finance, Revenues and Benefits Services (S151 Officer). The Head of Internal Audit has a right of direct access to the Deputy Chief Executive as corporate directorate head. In addition, the Head of Internal Audit has a right of direct access to the Management Team, the Chief Executive and Corporate Directors / Head of Department individually, and Members.

The Head of Internal Audit has the right to meet privately with the Audit Committee, when necessary.

The arrangements for working relationships with elected members shall follow the requirements of the Protocol on Member / Officer relations within the Council's Constitution, and codes of conduct.

Following each audit the Head of Internal Audit will report directly to the relevant Corporate Director / Head of Department providing an assurance ranking based upon the results of the assignment undertaken, with any material issues being drawn to the attention of the Council's s151 officer, other statutory officers or Management Team as appropriate to the circumstance. The results of each audit will be reported to the Audit Committee.

Corporate Directors / Head of Departments are responsible for ensuring that appropriate action is taken to resolve issues reported by Internal Audit. The Internal Audit function will have in place mechanisms to obtain assurance that actions have been appropriately implemented, and to report any significant issues arising from this to the Audit Committee.

The Council's Audit Committee has responsibility for receiving and reviewing reports on Internal Audit from the Head of Internal Audit. Reports will be produced in formats that meet any relevant requirements set by the GIAS.

Internal Audit may be required to provide assurance to external parties, such as grant funding bodies, where so requested. All engagements will be conducted reflecting any requirements set by such bodies, and professional standards.

A dialogue will be maintained with Corporate Directors / Head of Department to ensure that emerging risks, and operational changes, are reflected in the work programme for Internal Audit at the earliest opportunity.

A clear line of communication will be maintained with the Council's external auditors and other review bodies, taking account of the differing roles and responsibilities of each organisation.

9. RESPONSIBILITY OF THE AUDIT COMMITTEE AND ROLE OF STATUTORY OFFICERS WITH REGARDS TO INTERNAL AUDIT

The role of the Audit Committee with regards to Internal Audit is laid out in the Council's Constitution. The role regarding Internal Audit includes:

- Considering the Head of Internal Audit's Annual Report and opinion.
- Considering reports on the operation of Internal Audit and summaries of specific internal audit reports.
- Considering reports from Internal Audit on significant agreed actions not implemented within a reasonable timescale.

To fulfil this role, and to meet the requirements of the GIAS, the Committee will also receive and approve:

- The Annual Internal Audit Plan
- Internal Audit Plan updates during the year
- The Internal Audit Charter
- Quality assessments on conformance with the GIAS

The Head of Paid Service (Chief Executive) has responsibility for the discharge of the functions of the Council, and would therefore be advised regarding any issues of a significantly material nature arising during audits. The post holder also has a responsibility regarding the effective discharge of the Internal Audit function.

The s151 Officer (Head of Finance, Revenues and Benefits Services) has responsibility for ensuring that the Head of Internal Audit provides the Internal Audit service required by the Council, and is advised of any issues of a material nature identified during audits / provided with assurance as appropriate to aid in meeting his statutory obligations.

The Monitoring Officer (Head of Governance and Legal Services) has responsibility for the lawfulness and fairness of decision making, and any issues of this nature identified during audits will be drawn to the post holders attention / assurance provided as appropriate to aid the post holder to meet their statutory obligations.

10. FRAUD AND CORRUPTION

Managing the risk of fraud and corruption lies with management. The Internal Audit function does not have responsibility for the prevention and detection of fraud and corruption. Internal Auditors will be alert in the work undertaken to risks and exposures that could allow fraud or corruption to occur, and where appropriate will agree and report on control improvements to mitigate such risks and exposures.

The Council's Constitution (Financial Procedure Rules) requires that Corporate Directors / Head of Department report any financial irregularity or suspected irregularity to the designated Head of Internal Audit immediately. The Council's Fraud and Corruption Strategy confirms these arrangements.

Provisions will be made in the Audit plan to enable reactive work to be undertaken as a result of any irregularity reported where he considers it appropriate for the Internal Audit function to undertake, or be involved in, any investigation required.

11. INTERNAL AUDIT RESOURCE REQUIREMENTS

The GIAS require Internal Audit resources to be appropriate, sufficient and effectively deployed to achieve the approved plan. However, the Accounts and Audit Regulations 2015 and the GIAS are not prescriptive regarding the level of resources required.

The level and nature of resources required for each year's plan will be considered as part of the annual audit planning process to ensure that the resources available are deemed sufficient taking account of changes to the audit universe, changes to exposure of the organisation to risk, and developing professional standards.

The resources available will be maintained, both in terms of staffing levels and proficiency, at a level sufficient to deliver the approved plan to an acceptable standard and to meet the requirements of the GIAS.

Provision may be made to enable the use of resources from elsewhere within the Council or externally as appropriate to cover any skills gaps related to the audit engagements planned.

Any changes to the functions of the Council, the risks the Council is exposed to, the requirement for ad hoc work, and the development of audit techniques may change the baseline position. The Internal Audit Plan is intended to be flexible and mechanisms exist to update it during each year as required.

If at any time an imbalance between resources available and those required to deliver an effective Internal Audit function arises, then this will be drawn to the attention of the Audit Committee, together with proposed solutions.

The right of access for Internal Audit to records, assets, personnel and premises shall be consistent with the requirements of the Accounts and Audit Regulations. The right of access is also contained in the Council's Constitution.

The right of access shall extend to any resources bought in to supplement the in house team, in undertaking audits.

12. RIGHT OF ACCESS

The Internal Audit Team shall have, for the purposes of internal audit, the right of access to all establishments operated by the Council, all records held by the Council, all assets and personnel. Where the Council enters into partnership arrangements, or outsources functions, the contractual arrangements shall include provision for the right of access by the Council's Internal Auditors to all records and assets that relate to the Council. The Council's Internal Auditors shall have authority to obtain such information and explanations as are considered necessary to fulfil their internal audit responsibilities.

Internal Auditors will treat information they receive / see in the course of their duties as confidential, only disclosing such information where there is a legal or professional requirement to do so.

A.2 APPENDIX D - Tendring District Council Fraud Risk Register

No.	Internal/ External	Area	Inherent Risk	Impact	Mitigation Actions
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.	- 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	- Pre-payment verification and risk-based review of new claims and changes of circumstances - Overpayment recovery with sanctions/penalties where appropriate - Staff training on fraud indicators and customer challenge techniques
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.	- 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	- Evidence requests for student status and exemptions; automated expiry dates - Household composition data-matching (electoral roll, NFI, internal systems) - Targeted comms campaigns and tip-off channels - Prompt withdrawal of discounts and back-billing where fraud is established - Referrals to established in-house fraud and compliance team
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).	- 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 - Potential data protection/GDPR breaches	- Multi-factor authentication and privileged access management - Security awareness and phishing simulation programme - Patch management, EDR/AV, email security and DMARC - Regular vulnerability scanning and penetration testing - Incident response plan with playbooks; backup/restore testing; tabletop exercises - Supplier due diligence and cyber clauses in contracts

No.	Internal/	Area	Inherent Risk	Impact	Mitigation Actions
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.	- 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 - Lack of public confidence - Detrimental effect on staff morale	- Segregation of duties (requisitioning/approving/receipting) - Supplier due diligence (financial standing, beneficial ownership, sanctions, conflicts) - Contract management KPIs and verification of delivery/quality before payment - Spend analytics to detect duplicates/splits - Declaration and management of conflicts; gifts & hospitality register - Post-award audits
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	- 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	- Site visits and photographic evidence for occupancy/usage - Cross-checks with Companies House/Charity Commission and internal intel - Review cycles for Small Business Rate Relief and empty reliefs - Backdated billing and recovery; referral for prosecution where appropriate
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.	- 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	- Code of Conduct and Member/Officer protocols with annual attestations - Mandatory declarations of interest and secondary employment; CRB/DBS where applicable - Asset registers and access controls; stock/cash spot checks - Whistleblowing channels and anti-bribery training - Segregation of duties

No.	Internal/	Area	Inherent Risk	Impact	Mitigation Actions
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).	- Reputational damage to the council - Lack of public confidence - GDPR/Data Protection Breach	- Voter ID and secure polling station procedures - Access controls and network hardening of election systems - Change control and audit trail for electoral register updates
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.	- 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	- Daily reconciliations - Secure safes, dual custody and CCTV where proportionate - Prompt banking and segregation of receipting/recording duties - Cashless alternatives to reduce cash on premises

No.	Internal/	Area	Inherent Risk	Impact	Mitigation Actions
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.	- 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	- Compliance with AML regs: CDD/EDD and PEP/sanctions screening where applicable - Suspicious Activity Reporting (internal escalation to MLRO) - Property inspections and tenancy audits; joint ops with Police - Staff AML awareness and record-keeping controls
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.	- 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	- Early claims triage and evidence capture (CCTV, photos, witness statements) - Use of fraud indicators and referral to loss adjusters/SIU - Data sharing with insurers/IFB; trend analysis - Inspection logs

No.	Internal/	Area	Inherent Risk	Impact	Mitigation Actions
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.	- 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	- Supplier masterfile controls (new supplier validation, bank detail verification, change controls) - Card usage policy, limits, MCC blocks and monthly reconciliations - Duplicate invoice detection - Post-payment sampling and data analytics
16	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.	- 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	- Joiners/leavers controls with HR–Payroll reconciliation - Manager approval and audit trail for overtime/expenses; mileage reasonableness checks - Periodic payroll data analytics (bank/account duplicates, zero activity, outliers) - Return-to-work interviews and sickness trend monitoring

No.	Internal/	Area	Inherent Risk	Impact	Mitigation Actions
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	- 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	- Pre-award due diligence (identity, eligibility, bank verification) - Clear grant conditions and evidence requirements; staged payments - Post-award monitoring (outputs/outcomes) and clawback clauses - Counter-fraud spot checks and data-matching
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	- 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	- Right-to-work/DBS checks and ongoing suitability monitoring - Evidence verification and declarations of changes in circumstances - Compliance/spot visits and enforcement actions - Information sharing with DWP/Police where appropriate
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.	- Reputational damage to the council - Lack of public confidence - Staff morale - Loss in working time in investigating and correcting issues	- Qualification and reference verification (direct to awarding bodies where risk dictates) - Right-to-work checks; identity verification and document fraud training - Panel-based recruitment with documented scoring and conflict declarations - Probationary period objectives and monitoring

No.	Internal/	Area	Inherent Risk	Impact	Mitigation Actions
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	• Reputational damage to the council • Lack of public confidence • Loss in working time in investigating and correcting issues • Failure to support genuine need	• Document verification tools and anti-counterfeit checks • Cross-checking with internal/external databases (LLPG, electoral roll, Experian/NFI where lawful) • Fraud awareness for frontline teams and clear referral routes • Random audits and post-decision assurance checks