

The Audit Findings (ISA260) Report for Folkestone and Hythe District Council

Year ended 31 March 2024

February 2025





Folkestone & Hythe District Council
Civic Centre
Castle Hill Avenue
Folkestone
Kent CT20 2QY

February 2025

Grant Thornton UK LLP
30 Finsbury Square, London EC2A 1AG
www.grantthornton.co.uk

Dear Councillor McShane, Chair of the Audit & Governance Committee

Audit Findings for Folkestone & Hythe District Council for the year ending 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and those charged with governance.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](#).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Sophia Brown

Director
For Grant Thornton UK LLP

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.co.uk

Contents



Your key Grant Thornton team members are:

Sophia Brown

Key Audit Partner

T: 020 7728 3179

E: Sophia.Y.Brown@uk.gt.com

Jasmine Kemp

Engagement Manager

T: 020 7865 2682

E: Jasmine.R.Kemp@uk.gt.com

Zargham Malik

Assistant Manager

T: 020 7728 3460

E: Zargham.Malik@uk.gt.com

Louis Niven

Audit In-Charge

T: 020 7184 4752

E: Louis.W.Niven@uk.gt.com

Section

1. [Headlines](#)
2. [Financial statements](#)
3. [Value for money arrangements](#)
4. [Independence and ethics](#)

Appendices

- A. [Communication of audit matters to those charged with governance](#)
- B. [Action plan – audit of financial statements](#)
- C. [Follow up of prior year recommendations](#)
- D. [Audit adjustments](#)
- E. [Fees and non-audit services](#)

Page

4
6
22
24

27
28
29
31
41

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines (1)

This table summarises the key findings and other matters arising from the statutory audit of Folkestone & Hythe District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during October 2024 to January 2025. Our findings are summarised on pages 8 to 12. We have identified six adjustments to the financial statements that have resulted in a net £1.33m credit (increase) to the Council's Comprehensive Income and Expenditure Statement. These have a net impact on the level of the Council's useable reserves of £1.33m as an increase in respect of the General Fund.

Audit adjustments are detailed at Appendix E. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix C. Our follow up of recommendations from the prior year's audit are detailed at Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- consideration of management's estimate with respect to the PPE Capital Expenditure presentation and prior period adjustment;
- receipt of management representation letter; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts following the Audit & Governance Committee meeting on 25 February 2025.

1. Headlines (2)

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR).

We have completed our VFM work, which is summarised on pages 22 to 23, and our detailed commentary is set out in the separate 2023-24 Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code. However, the National Audit Office (NAO) has requested that we hold open certificates, even where the audit is below threshold or disclaimed, pending completion of their own work. We await further instruction on this matter from the NAO and therefore cannot certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial statements (1)

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Audit & Governance Committee].

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk-based, and in particular included:

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that specified audit procedures for Oportunitas Limited's balance of Investment properties was required, which was completed by GT; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have updated the audit plan, as communicated to you on 31 July 2024, to reflect the above assessment of the components of the group.

Conclusion

We have substantially completed our audit of your financial statements and we anticipate issuing an unqualified opinion following the Audit & Governance Committee meeting in February 2025, as detailed in our draft audit opinion presented a part of this Committee's agenda.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. During the course of the audit both your finance team and our audit team faced audit challenges again this year, though notable improvements have been made since the 2022-23 audit.

2. Financial statements (2)



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on 31 July 2024.

We set out in this table our determination of materiality for Folkestone and Hythe District Council and group.

	Group amount £	Council amount £	Qualitative factors considered
Materiality for the financial statements	2,035,000	1,948,700	We determined the financial statement materiality based on a proportion of the prior year gross expenditure of the Council. The main users of the Council's accounts primary interest is in the cost of providing services and how the Council manages their spending. As such, we conclude that the gross expenditure is the most appropriate benchmark to set the materiality levels for the Council. Materiality at the planning stage of our audit is the equivalent of approximately 1.75% of your prior year gross expenditure for the period.
Performance materiality	1,424,500	1,364,100	Our performance materiality is based on percentage of the materiality at financial statement level listed above. The threshold of 70% has been applied in the current year.
Materiality for specific transactions, balances or disclosures - Senior officer remuneration and termination benefits	10,000	10,000	We identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures.

2. Financial statements – significant risks (1)

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the audit plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or group
<p>Management over-ride of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how it reports performance.</p> <p>We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> • evaluated the design and implementation effectiveness of management controls over journals; • analysed the journals listing using data analytics tools and determine the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and at year end for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>We identified no changes to the accounting policy/estimation process for Folkestone & Hythe District Council.</p> <p>Our audit work has not identified any issues in respect of management override of controls.</p>	Council and group

2. Financial statements – significant risks (2)

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or group
<p>Valuation of the pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The estimation of the pension fund net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A small change in the inputs can have a significant impact on the estimated pension fund liability. The Council has engaged a consulting firm of actuaries (Barnett Waddingham LLP) to complete the valuation of the net pension liability as at 31 March 2024.</p> <p>The pension fund valuation is considered a significant estimate due to the size of the numbers involved net liability of £13.098m as at 31 March 2023 and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified the valuation of the Council's pension fund as a significant risk.</p> <p>Pinpointing the significant risk:</p> <p>We plan to pinpoint the significant risk around the following:</p> <ul style="list-style-type: none"> • Key assumptions applied by actuary; • Significant changes in assumptions applied from the prior year; • Material experience gain or losses recorded in the accounting period; and • Other factors considered to increase the risk of material misstatement based on auditor judgement. 	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to complete the pension fund valuation; • tested the consistency of the pension fund liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Our audit work has not identified any issues in respect of valuation of the pension fund liability.</p>	Council

2. Financial statements – significant risks (3)

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or group
<p>Valuation of land and buildings, council dwellings and investment properties</p> <p>The Council re-values its other land and buildings, council dwellings and investment properties to ensure that the carrying value of its assets are not materially different from the current value at the financial statements date.</p> <p>The valuation of land and buildings, council dwellings and investment properties represents a key accounting estimate which is sensitive to changes in assumptions and market conditions. Management has appointed external valuation expert to carry out the valuation as at 31 March 2024.</p> <p>Other land & buildings (PY £27.983m): The Council re-values its other land and buildings on a rolling five-yearly basis. The Council applies valuation techniques and key assumptions are made by the valuer to determine the current value of the assets at financial statement date.</p> <p>Council dwellings (PY £227.963m): The Council measures its dwellings at fair value, determined using the basis of existing use value for social housing and is re-valued on a cyclical approach using the Beacon methodology. Key assumptions are made by the valuer in applying this method of valuation.</p> <p>Investment properties (PY £30.594m): The Council measures and re-values its investment properties at its highest and best use annually.</p> <p>We therefore identified valuation of other land and buildings, council dwellings and investment properties as a significant risk, particularly key assumptions and inputs applied by the valuer at the financial statement date.</p>	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert engaged by you; wrote to the valuation expert engaged by you, the basis on which the valuations were carried out; challenged the information and assumptions used by the valuers to assess completeness and consistency with our understanding; tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register and financial statements; tested the indexation applied by management for council dwellings for reasonableness against appropriate market indices. We note that our audit plan stated that we would 'test a sample of Beacon properties in respect of council dwellings, to consider whether their valuation assumptions are appropriate and representative of other Beacon properties within the Beacon group'. However, as an indexation uplift was applied for 2023-24 valuations, we adapted our audit strategy accordingly; and evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. <p>Our audit work has not identified any issues in respect of valuation of land and buildings, council dwellings and investment properties.</p>	<p>Council and group*</p> <p>*Note that this was verbally updated in the July 2024 A&G Committee meeting that the material investment property held by Oportunitas Limited was deemed to be an Individually material component.</p>

2. Financial statements – significant risks (4)

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or group
<p>Level 3 financial assets and liabilities</p> <p>The Council reviewed its fair value of the financial assets as part of the IFRS 9 assessment and concluded that the soft loans for private sector housing improvement purposes and the equity investment in Oportunitas Ltd are level 3 assets.</p> <p>By nature, level 3 assets and liabilities valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of level 3 financial assets and liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> gained an understanding of the Council’s process for valuing level 3 financial assets and liabilities and evaluate the design of the associated controls; reviewed the nature and basis of estimated values and consider what assurance management has over the year-end valuation provided for the assets related assets and liabilities; considered the competence, expertise and objectivity of any management experts used; challenged management about the disclosure of the level 3 financial asset; and considered whether we need to engage our own valuer to assess the inputs and assumptions that underpins the level 3 assets valuation. <p>Our audit work has not identified any issues in respect of the level 3 financial assets and liabilities.</p>	Council

2. Financial statements – other risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or group
<p>Fraud in expenditure recognition</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>Having considered the risk factors related to this risk and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted for the Council's expenditure, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are limited; and • the culture and ethical frameworks of local authorities, including that of the Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have identified that due to the level of estimation involved in the manual accruals of expenditure and the potential volume of accruals at year end there is an increased risk of error in expenditure recognition.</p>	<p>In response to this risk, we:</p> <ul style="list-style-type: none"> • inspected transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period; • inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the estimation of the accrual was consistent with the value billed after the year; and • investigated manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure. <p>Our audit work has not identified any issues in respect of recognition and presentation of fraud in expenditure recognition.</p>	Council
<p>Risk of fraud and error in revenue recognition (rebutted for all streams)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA(UK) 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition; • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical frameworks of local authorities, including that of the Council, mean that all forms of fraud are seen as unacceptable. <p>We do not consider this to be a significant risk for the Council and as such there is no specific work planned for this risk.</p>	<p>To gain assurance over the Council's revenue we:</p> <ul style="list-style-type: none"> • selected a sample of revenue items from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness; • inspected transactions which occurred in the year and ensure they have been included in the current financial year; and • confirmed our understanding of the revenue business process and determine if there are any relevant controls. <p>Our audit work has not identified any issues in respect of recognition and presentation of fraud and error in revenue recognition.</p>	Council

2. Financial statements – final group audit scope and risk assessment

Component	Individually significant?	Level of response required under ISA (UK) 600	Risks identified	Revised audit approach*
Folkstone & Hythe District Council	Yes	Purple	See risks identified on pages 7 to 10.	Full scope audit performed by Grant Thornton UK LLP.
Oportunitas Limited	No	Dark grey	Individually material component.	Specified audit procedures to include: <ul style="list-style-type: none"> An analytical review of investment property valuations performed by Grant Thornton UK LLP; and In the event that unusual variances arise, detailed audit procedures on investment properties held by Oportunitas Ltd.
Otterpool Park LLP	No	Light grey	None	Review of financial information and analytical review performed by Grant Thornton UK LLP.
Otterpool Park Development Company Ltd	No	Light grey	None	Analytical review performed by Grant Thornton UK LLP.

*Note, amendment to audit plan was verbally updated in the July 2024 A&G Committee meeting.

Audit scope

- Purple – Audit of the financial information of the component using component materiality
- Black – Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Teal – Review of component’s financial information
- Dark grey – Specified audit procedures relating to risks of material misstatement of the group financial statements
- Light grey – Analytical procedures at group level

2. Financial statements – key findings arising from the group audit

Component	Findings	Group audit impact
Folkestone & Hythe District Council	We plan to issue an unmodified audit opinion for Folkestone & Hythe District Council. No material issues were identified which will have an impact on the group.	None
Oportunitas Limited	Our audit procedures included an analytical review of investment property valuations performed by Grant Thornton UK LLP. No unusual variances arose which were deemed to require detailed audit procedures on investment properties held by Oportunitas Ltd.	None
Otterpool Park LLP	Our audit procedures included a review of financial information and analytical review, which identified no material issues which will have an impact on the group.	None
Otterpool Park Development Company Ltd	Our audit procedures included an analytical review, which identified no material issues which will have an impact on the group.	None

2. Financial statements – key judgements and estimates (1)


This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Valuations of land and buildings, including investment properties and council dwellings	<p>The Council carries out a rolling programme of revaluations that ensures that all property, infrastructure assets, plant and equipment required to be measured at current value is re-valued at least every five years. Investment properties, surplus properties and assets held for sale are re-valued every year. Council Dwellings are valued using a beacon methodology every 5 years, with indexation using house prices indices in the intervening period.</p> <p>Other land and buildings includes specialised assets which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset delivering the same service provision. Non-specialised assets are required to be valued at existing use in value (EUV). The Council engaged Wilks Head & Eve to complete the valuation of other land and buildings as at 31 March 2024, on a five yearly cyclical basis. The total year end GBV of land and buildings was £40.411m, a net increase of £0.589m from 2021-22 (£34.512m).</p> <p>Council dwellings were valued on existing use value, determined using the basis of existing use value for social housing (EUV-SH).</p> <p>The council re-values its investment properties on an annual basis at fair value.</p> <p>Management has considered the year end value of non-valued properties, based on market review provided by the valuer as at 31 March 2023, to determine whether there has been a material change in the total value of the properties. Management's assessment of assets not revalued has not identified a material change to the properties' value. To corroborate this conclusion, the auditor has evaluated the population of unvalued assets using market indices. The auditor agrees that the unvalued assets are not indicative of a material misstatement in the valuation.</p> <p>Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.</p>	<p>To address this risk, we considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> • assessment of management's expert; • completeness and accuracy of the underlying information used to determine the estimate; • impact of any changes to valuation method; • consistency of estimate against our internal valuer's market report; and • obtaining assurance that the disclosure in the PPE note is not materially misstated. <p>Refer to adjustments identified for the PPE and Investment Property notes in Appendix D – all adjustments have been amended in the revised financial statements.</p> <p>We have obtained sufficient appropriate audit evidence to corroborate that valuation of land and buildings, including investment properties and council dwellings, is not materially misstated (following the referred to adjustments).</p>	<p style="text-align: center;">● Green</p>

Assessment

- **Red** – We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Amber** – We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** – We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Green** – We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates (2)

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment																																
Valuation of the pension fund net liability	<p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.</p> <p>At 31 March 2024 the Council has a net pension liability of £9.1m (2021-22 £13.1m) relating to the Local Government Pension Scheme, as administered by Kent Pension Fund.</p> <p>Folkestone and Hythe District Council uses an external actuary Barnett Waddingham to provide an actuarial valuation estimate of the Council's assets and liabilities deriving from these schemes. A full valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022-23 for the LGPS. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We assessed management's actuarial expert and concluded they are clearly competent, capable and objective in producing the estimate. We carried out analytical procedures to conclude on whether the Council's share of LGPS pension assets and liabilities was reasonable. We concluded the Council's share of assets and liabilities was analytically in line with our expectations. We engaged an auditor's actuary expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable. The auditor's expert provided us with indicative ranges for assumptions by which we have assessed the assumptions made by management's expert. As set out below all assumptions were within the expected range and were therefore considered. In response to a new material experience item, we engaged directly with your actuary to understand the reasonableness of the assumption made <p>We have obtained sufficient appropriate audit evidence to corroborate that valuation the net pension liability is not materially misstated.</p>	 Green																																
		<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.90%</td> <td>4.80% - 4.95%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Pension increase rate</td> <td>3.25%</td> <td>3.10% - 3.45%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Salary growth</td> <td>2.90%</td> <td>2.85% - 3.00%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Males currently, aged 45</td> <td>20.8</td> <td>19.2 – 21.8</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Future pensioners</td> <td>22.0</td> <td>20.6 – 23.1</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45</td> <td>23.3</td> <td>22.6 – 24.3</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Future pensioners</td> <td>24.7</td> <td>24.1 – 25.7</td> <td style="text-align: center;">●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.90%	4.80% - 4.95%	●	Pension increase rate	3.25%	3.10% - 3.45%	●	Salary growth	2.90%	2.85% - 3.00%	●	Life expectancy – Males currently, aged 45	20.8	19.2 – 21.8	●	Future pensioners	22.0	20.6 – 23.1	●	Life expectancy – Females currently aged 45	23.3	22.6 – 24.3	●	Future pensioners	24.7	24.1 – 25.7	●	
Assumption	Actuary Value	PwC range	Assessment																																
Discount rate	4.90%	4.80% - 4.95%	●																																
Pension increase rate	3.25%	3.10% - 3.45%	●																																
Salary growth	2.90%	2.85% - 3.00%	●																																
Life expectancy – Males currently, aged 45	20.8	19.2 – 21.8	●																																
Future pensioners	22.0	20.6 – 23.1	●																																
Life expectancy – Females currently aged 45	23.3	22.6 – 24.3	●																																
Future pensioners	24.7	24.1 – 25.7	●																																

Assessment

- **Red** – We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Amber** – We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** – We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Green** – We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates (3)





Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Level 3 financial assets and liabilities	<p>The Council reviewed its fair value of the financial assets as part of the IFRS 9 assessment and concluded that the soft loans for private sector housing improvement purposes and the equity investment in Oportunitas Ltd are level 3 assets.</p> <p>By nature, level 3 assets and liabilities valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the sensitivity of the estimate to changes in key assumptions.</p> <p>Management engaged Arlingclose as their expert to prepare the level 3 assets fair value assessment.</p>	<ul style="list-style-type: none"> • We gained an understanding of the Council's process for valuing level 3 financial assets and liabilities and evaluate the design of the associated controls. • We reviewed the nature and basis of estimated values and consider what assurance management has over the year-end valuation provided for the assets related assets and liabilities. • We considered the competence, expertise and objectivity of any management experts used. • We challenged management about the disclosure of the level 3 financial asset. • We considered whether we need to engage our own valuer to assess the inputs and assumptions that underpins the level 3 assets valuation. <p>We have obtained sufficient appropriate audit evidence to corroborate that valuation the level 3 financial assets and liabilities are not materially misstated.</p>	<p style="text-align: center;">● Green</p>

Assessment





- **Red** – We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Amber** – We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- **Grey** – We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- **Green** – We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – information technology

This section provides an overview of results from our assessment of information technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
E-Financials	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green	Management over-ride of controls

Assessment

-  **Red** – Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  **Amber** – Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  **Green** – IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  **Grey** – Not in scope for testing

2. Financial statements – other communication requirements (1)

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We previously discussed the risk of fraud with the Audit & Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	Per work to date we have not identified any related parties which have not been disclosed. Per Appendix D we identified that group intercompany income/expense is material and should be disclosed within the Related Parties note as related party transactions.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from management.
Audit evidence and explanations	<p>All information and explanations requested from management was provided. Delays arose as a result of the 2022-23 audit delays along with limited finance team capacity in October/November 2024, but these were managed as part of the audit delivery timeframe.</p> <p>This included challenges in reconciling Collection Fund debtors and creditors, prior period adjustments on PPE and the income & expenditure by nature disclosure, in addition to a high quantum of adjustments throughout the financial statement's disclosures.</p> <p>This resulted in us having to carry out additional audit procedures to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.</p>
Confirmation requests from third parties	We requested from management permission to send a confirmation requests to relevant Investments held with third parties. This permission was granted, and the requests were sent out with all requests having been received.
Accounting practices	We evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review to date has not found any material omissions in the financial statements.

2. Financial statements – other communication requirements (2)



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” [ISA (UK) 570].

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates; the Council’s financial reporting framework; the Council’s system of internal control for identifying events or conditions relevant to going concern; and management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified; and management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial statements – other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Inconsistencies were identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; or • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>We have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that detailed work is not required as the Council does not exceed the threshold specified by the NAO.</p>
Certification of the closure of the audit	<p>We have completed the majority of work under the Code. However, the National Audit Office (NAO) has requested that we hold open certificates, even where the audit is below threshold or disclaimed, pending completion of their own work. We await further instruction on this matter from the NAO and therefore cannot certify the completion of the audit when we give our audit opinion.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023-24

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium-term (3-5 years).



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

3. VFM – our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate 2023-24 Auditor's Annual Report, presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following our work, we are satisfied that the Council has made proper arrangement for securing economy, efficiency and effectiveness in its use of resources.

4. Independence considerations (1)

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the group or investments in the group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person has complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

4. Independence considerations (2)

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The following non-audit services were identified:

Service	Fees £	Threats identified	Safeguards
Audit-related			
Certification of Housing Benefits Assurance Process	71,280	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £71,280 in comparison to the total fee for the audit of £177,716 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management threat	
Certification of Housing Capital Receipts return	10,000	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £177,716 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management threat	

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Governance Committee.

None of the services provided are subject to contingent fees.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – audit of financial statements
- C. Follow up of prior year recommendations
- D. Audit adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management letter of representation
- H. Draft audit opinion

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence.	•	•
Matters in relation to the group audit	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action plan – audit of financial statements

We identified two recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024-25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	<p>1. Journals authorisation</p> <p>In reviewing journal entries selected within our response to the risk of management override of controls, we noted alternation between the same individuals preparing and authorising journal entries.</p> <p>Consideration has been made by the audit team as to whether this constitutes ineffective separation through segregation of duties. No concerns were noted from this review. However, there is opportunity to improve the process through formalising the authorisation hierarchy.</p>	<p>Consider formalising the authorisation hierarchy for journals authorisation</p> <p>Management response</p> <p>Journal authorisers are small in number (six users) and are limited to senior members of the Finance team. Where the Head of Financial reporting needs to post journals (particularly around the collection fund or pensions journals – which are technical and therefore executed by the Head of Financial Reporting), the small size of the team means that there are limited options for journal approvers in order to maintain segregation of duties. In these circumstances, there may be instances where a journal approver will be a direct report of the Head of Financial Reporting.</p> <p>Management will, however, seek to expressly formalize a hierarchy of journal approvers and note the specific type of journals (in particular collection fund and pensions) where this may not always be possible. Management would highlight, however, that at all times there remains a segregation of duties as there is an explicit requirement for a second approver.</p>
Medium	<p>2. Declarations of interest</p> <p>Three councillors did not complete annual declaration of interest forms in the 2023-24 financial year. This poses a risk that the Council may be unable to capture related party transactions that could materially affect the Council's related parties' disclosure.</p> <p>In response to this risk, the audit team reviewed directorship information available on Companies House. The exercise noted seven undisclosed directorships for 2023-24. In reviewing transactions with those undisclosed directorships, we noted one undisclosed related party.</p> <p>The related party had received a £9,347.83 High Street Grant Fund Payment from the Council in 2023-24. Whilst this is an immaterial figure for the Council, we determined that it is material to the related party and therefore should be disclosed in Note 39 Related Parties (based on guidance set out in the CIPFA Code).</p>	<p>Members should ensure that declarations of interest are complete and accurate.</p> <p>Management should ensure that all declarations of interests are received in a timely manner to inform year-end disclosures</p> <p>Management response</p> <p>Management will remind all Members, via the Monitoring Officer, of the importance of the requirement to submit declarations of interest forms. Management will formalise a process of escalation via the Monitoring Officer for further action where there is a failure to comply.</p>

Controls

- Purple – High – Significant effect on financial statements
- Teal – Medium – Limited Effect on financial statements
- Grey – Low – Best practice

C. Follow up of prior year recommendations (1)

We identified the following issues in the audit of Folkestone and Hythe District Council Council's 2022-23 financial statements, which resulted in 5 recommendations being reported in our 2022-23 Audit Findings report. We followed up on the implementation of our recommendations and note four are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Trial balance mapping</p> <p>As part of our testing procedures, we are required to obtain a mapped trial balance that aligns with the Council's financial statements (FS). The current mapping structure proved challenging to trace back to the FS which significantly delayed the audit.</p> <p>Linked to this, the use of fees and charges income and operating expenditure as balancing figures in the Expenditure and income analysed by nature disclosure resulted in material adjustments to the presentation of the disclosure note.</p> <p>Management should implement a trail balance mapping structure that aligns with both the opening trial balance, transaction listings for the year, and closing trial balance to ensure the financial statements tie through for completeness and presentation purposes.</p> <p>As part of our 2023-24 audit procedures, we have noted improvements in this area. However, some material mapping discrepancies have been identified throughout our audit procedures. We therefore recommend that management perform a consistency check of their mapping as part of the 2024-25 accounts preparation.</p>	<p>As noted in Management's response to this issue in the 2022/23 audit finding's report (December 2024), the Council is - at the time of writing - still in the process of replacing its financial management system that will aid/support in the automated mapping of accounts to the financial statements. In the interim, management have continued to hone the existing mapping agreed with the auditors for 2022/23 and brought forward to 2023/24 to continue to refine it.</p>
X	<p>Journal authorisation</p> <p>Based on our review of manual journals, we have identified that it is possible for journals preparers to self-authorise journals. This has occurred because the intended approver was unavailable, but the journal posting was necessary for the timely closure of accounts. This raises concerns about the system's susceptibility to manipulation by any preparer or authoriser, indicating a control deficiency.</p> <p>Management should ensure that the control around segregation of duties is working effectively to avoid self-authorisation of journals.</p>	<p>Management followed up this matter with our external system supplier. From those discussions, it has become clear that an automated control will not be possible. Management are therefore in the process of designing and implementing a manual review control to mitigate this risk.</p>
X	<p>2021-22 Debtor and creditor opening balances</p> <p>As part of our 2021-22 debtor and creditor work, we noted that there were several opening balances that were not valid for the period under audit. This continues to increase the volume of work required by the audit team to obtain assurances on the Council's debtor and creditor balances.</p>	<p>As noted in Management's response to this issue in the 2022/23 audit finding's report (December 2024), this issue relates to the reporting available from the current finance system. The Council is - at the time of writing - in the process of upgrading and/or replacing this system that will aid/support in reporting on the debtors and creditors balances to facilitate easier extractions of relevant populations. In the interim, Finance are reviewing the Chart of Accounts and investigating with the technology team to see what mitigations are possible in light of the challenges faced.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations (2)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>2021-22 Cleansing of the fixed asset register</p> <p>As part of our review of the fixed asset register, we identified vehicle, plant and equipment assets with a nil net book value (NBV) that had a total historic cost of £7.7m, with an offsetting balance of £7.7m of accumulated depreciation. The balance sheet records the net book value and is correct.</p> <p>The Council's depreciation policy would indicate that the assets held at nil NBV are no longer in use. Good practice would require these assets to be written out of the fixed assets register or re-lifted if they are still operational.</p>	<p>There has been insufficient time since the completion of the 2022/23 audit (December 2024 - where this finding was raised) for management to review the fixed asset register and associated accounting / depreciation policies.</p>
✓	<p>2020-21 HRA componentisation</p> <p>As part of our HRA valuation work, we noted that management has written out £4.3m of capital expenditure works (i.e. kitchen and bathroom replacements) as impairment instead of componentising each part of the assets with the cost that should be depreciated separately. That is to say, management will need to write out the old components from the gross book value and the accumulated depreciation before adding on the new component for year-end valuations.</p>	<p>Management has updated its accounting policy on HRA componentisation in the 2023/24 accounts. Management does not intend to componentise HRA assets.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit adjustments (1)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
<p>The audit team noted a variance between the trial balance (TB) and draft accounts of £427k for both infrastructure assets and assets under construction (AUC). The TB was incorrectly mapped, and the Balance Sheet is adjusted as follows:</p> <ul style="list-style-type: none"> - Infrastructure assets, Cr £427k - AUC, Dr £427k <p>Note that this represents a net nil impact upon the Balance Sheet non-current assets.</p>		0		
<p>Note 20 – Long-term debtors</p> <p>Within audit procedures for the Otterpool Park LLP loan we identified that debtors were understated by £255k due an error in the accrued interest amount adopted. The adjustment is as follows:</p> <ul style="list-style-type: none"> - Financing and investment income and expenditure – Interest receivable, Cr £255k - Long-term debtors, Dr £255k 	(255)	255	(255)	(255)
<p>Note 21 – Short-term debtors</p> <p>We identified a credit of (£494k) brought forward. This balance was a reversal of the 2020-21 Housing Benefits (HB) overpayments debtor, which should have been cleared in 2021-22, prior to recognising the following period's HB debtor for 2021-22. As the balance was not cleared it continued to have a financial impact on the debtor balance.</p> <p>We also identified a debit entry of £353k for 2021-22 HB overpayments debtor balance, which was not cleared to nil.</p> <p>These two journals overall have a net impact of (£141k) on the debtor balance, understating the debtor balance by £141k.</p>	(141)	141	(141)	(141)

D. Audit adjustments (2)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
CIES and Note 7 – Income and expenditure by nature				
In our work on Fees, Charges and Other Service Income and Operating Expenditure, we identified that recharges were processed using contra entries. The primary purpose of the recharges was to reallocate the cost born by the General Fund into a recharges suspense account, which is then mapped to other cost centres. For example, the HRA recharge included in this adjustment is based on the amount attributable to HRA activities, e.g. staff costs are recharged for members of the housing team.	Gross expenditure (6,107.42)	0	0	0
This accounting treatment did not accurately reflect the true presentation of income and expenditure in the Comprehensive Income and Expenditure Statement (CIES). This is because the accounting treatment was to: debit Operating Expenditure and credit recharge code (mapped to Fees & Charges). The recharge accounting treatment should be: debit recharge code (mapped to Operating Expenditure) and credit Operating Expenditure to recharge the costs with no impact on the I&E by nature mapping or the CIES columns.	Gross income 6,107.42			
Management acknowledges the issue and agreed to reclassify these entries by transferring amounts from "Fees and Charges" to "Other Service Expenditure." As a result, both "Other Service Expenditure" and "Fees and Charges" decreased by £6,107.42k in the current year (CY) and £6,112.47k in the prior year (PY). This adjustment ensures a more accurate and transparent presentation of financial information in the financial statements.				

D. Audit adjustments (3)

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
<p>Note 21 – Short-term debtors and Note 25 – Short-term creditors</p> <p>We noted that, as a result of the NDR account being in surplus, the mapping of the NDR debtors and their associated impairment was mistakenly mapped to Note 25 Short-term creditors. Management should have manually adjusted this presentation as the monies owed to the Council by ratepayer should be separately presented as debtors, and not alongside the preceptor's balances.</p> <p>This meant that debtors was understated by £450k (net debtors and impairment) and creditors was understated by £450k. This adjustment will also impact the Note 21 and Note 25 presentation.</p>	0	Short-term debtors (450) Short-term creditors 450	0	0
<p>Note 25 – Short-term creditors and Note 11 Taxation and non-specific grant income</p> <p>Our review of unidentified income noted that a central government receipt of £1,330,319 received prior to year-end was debited against the creditors balance. However, it had not been processed through the finance system until 02/04/2024 (month 1 of 2024-25).</p> <p>As an accrual for this income had not been raised, the unidentified income transaction had the erroneous effect of reducing the creditors balance. As the monies were received and the receipt related to 2023-24, the income should have been recognised in grant income.</p> <p>This meant that creditors was understated by £1,330k and grant income was understated by £1,330k. This adjustment will also impact the Note 7 and 15 disclosures.</p>	Taxation and non-specific grant income (1,330)	Short-term creditors 1,330	(1,330)	(1,330)
<p>Note 11 Taxation and non-specific grant income and Note 15 – Grant income</p> <p>Mapping discrepancies between Note 11 and Note 15 of the accounts were amended between the draft version of the financial statements and the version subject to public inspection.</p> <p>This resulted in a £3.491m increase to Capital grants and contributions in Note 11 and within Taxation and non-specific grant income. (note that these grants were correctly mapped to Capital Grants and Contributions in Note 15)</p>	Gross Income Credited to Services 3,491 Taxation and non-specific grant income (3,491)	0	0	0
Overall impact	(1,330)	1,330	1,330	1,330

D. Audit adjustments (4)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
<p>Note 30 - Defined benefit pension schemes</p> <p>The percentages disclosed in the Asset and Liability Matching Strategy should be as below, based on our reconciliation to the actuary report:</p> <p>Equity - 58% Bonds - 14% Properties - 9%</p>	<p>The Asset and Liability Matching Strategy should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 15 - Grant income</p> <p>We noted there was a mapping inconsistency of £1,742k which should have been accounted for within Capital Grants and Contributions (which is consistent with the reporting in Note 11 and the CIES). The balance of Note 15 Capital Grants and Contributions should be increased by £1,742k to correct this omission.</p> <p>We noted that there was a capital grant of £409k accounted for within Non-service related grants. The balance of Note 15 Non-service related grants should reduce by £409k and the Capital Grants and Contributions should be increased by £409k to correct this presentation of classification.</p>	<p>Note 15 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 13 - Officers' remuneration</p> <p>We noted that an individual was excluded from the '£50,000 to £54,999' banding, which increases the count from 16 to 17.</p> <p>We further noted that the disclosure excluded the banding for employees between '£85,000 to £89,999'.</p>	<p>Note 13 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 13 - Officers' remuneration</p> <p>The Interim Director - Governance & Finance's remuneration was £150,809. Per the CIPFA Code, paragraph no. 3.4.5.1, name and job title of senior officer should be disclosed where the salary is £150,000 or more per year.</p>	<p>Note 13 should name senior officers where the salary exceeds £150,000.</p> <p>Management response Amended as agreed</p>	✓

D. Audit adjustments (5)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/Issue/Omission	Auditor recommendations	Adjusted?
<p>Note 7 – Income and expenditure by nature and Note 15 – Grant income</p> <p>Mapping discrepancies within Note 7 of the accounts were amended between the draft version of the financial statements and the version subject to public inspection. This resulted in a £3.491m movement from Fees and Charges to Government Grants & Contributions in Note 7.</p>	<p>The mapping of grant income should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Annual Governance Statement (AGS)</p> <p>The section entitled '12: Review of Effectiveness' did not include an assessment of the effectiveness of key elements of the governance framework for group activities, as required by 3.7.4.4 b / 3.7.4.3 of the CIPFA Code.</p>	<p>The AGS should reflect upon the effectiveness of the governance framework in relation to activities of the group.</p> <p>Management response Amended as agreed</p>	✓
<p>Narrative report</p> <p>1) Amendments were required to page 19 net revenue expenditure table and pie chart following adjustment of the accounts, and to ensure appropriate reconciliation.</p> <p>2) An amendment was required to page 24 regarding the disclosure of 2023-24 general fund balance, which was disclosed as £5.563m but should be £5.875m.</p>	<p>Pages 19 and 24 of the narrative report should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 7 – Income and expenditure by nature</p> <p>The write out of Capital Expenditure Impairment £1,251,279.22 should be recorded under the Income & Expenditure by Nature sub heading of Depreciation, Amortisation and Impairment instead of Fees and Charges and Other Service Income.</p>	<p>The mapping of Capital Expenditure Impairment should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>HRA Note 2 - Vacant possession value</p> <p>The vacant possession value of dwellings was stated as £657,581,900 in the draft accounts, however our reconciliation to the HRA stock listing identified that this should be recorded as £657,993,900 in the disclosure note.</p>	<p>HRA Note 2 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 14 Audit fees</p> <p>'Fees payable for the certification of grant claims and returns for the year' should be recorded as £81k following confirmation of the Housing Benefit Assurance Process audit fee (which was recorded as TBC in the audit plan).</p>	<p>Note 14 should be corrected.</p> <p>Management response Amended as agreed</p>	✓

D. Audit adjustments (5)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/Issue/Omission	Auditor recommendations	Adjusted?
<p>Note 30 - Defined benefit pension schemes</p> <p>The weighted average duration of the defined benefit obligation for scheme members was recorded as 19 years in the draft financial statements, however reconciliation to the actuarial report noted that this should be recorded as 16 years for 2023-24.</p>	<p>Note 30 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 16 – Property, Plant and Equipment – Contractual commitments</p> <p>The Contractual Commitments disclosure omitted the disclosure of the HRA dwelling contract disclosed in 2202-23.</p> <p>Furthermore, the 'Heating replacement programme 2023-2026' should be disclosed as £0.65m instead of £1.34m, as £0.69m of the amount pertained to revenue expenditure and not capital expenditure, hence should not be recognised in this disclosure.</p> <p>We also noted that the 'Fire Protection Works programme 2024-2026' should not be disclosed as a contractual commitment in 2023-24 as the contract commenced on 07/05/2024 which is post year-end.</p>	<p>Note 16 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 7 – Income and expenditure by nature and Note 10 – Financing and investment income and expenditure</p> <p>In our review of Note 10, we identified a reconciliation variance with Note 7. This is a result of the mapping including Interest on HRA Balances under Fees and Charges and Pensions Interest/Return On Assets under Grant Income instead of Interest and Investment Income. The correction is to transfer HRA interest amounting £487k and pension interest amount £32k to Interest and Investment Income within the presentation of Note 7.</p>	<p>Note 7 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 40 – Trust funds</p> <p>As part of our audit procedures, we identified that:</p> <ol style="list-style-type: none"> 1) The 2022-23 figure was stated as £520k instead of £582k as per the audited 2022-23 financial statements. 2) Special expenses and income contributions should be recorded as £437k instead of £612k. 	<p>Note 40 should be corrected.</p> <p>Management response Amended as agreed</p>	✓

D. Audit adjustments (6)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/Issue/Omission	Auditor recommendations	Adjusted?
<p>Note 41 – Interests in companies and other entities</p> <p>Following reconciliation of the disclosure to the subsidiaries' audited financial statements, we identified that Oportunitas Limited's profit on ordinary activities of £171k in 2023-24 should be recorded as £290k and Otterpool Park LLP's loans outstanding of £14.8m should be recorded as £16m.</p>	<p>Note 41 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 11 – Taxation and non-specific grant income</p> <p>Following reconciliation to the Collection Fund account it was identified that there was an incorrect allocation of cost centre code KD03 to NDR instead of council tax. The impact of this is that council tax income is understated by £162k and NDR income overstated by £162k.</p>	<p>Note 11 should be corrected.</p> <p>Management response Amended as agreed</p>	✓
<p>Note 16 – Property, Plant and Equipment</p> <p>Within our PPE lead schedule and review of the accounts, it was noted that the opening gross book value and accumulated depreciation did not reconcile to the prior period closing balances – management agreed the error. Despite this, the net book values (NBV) reconciled without issue. The error relates to management's approach to transacting capital additions as part of the revaluation process.</p> <p>In the top-side adjustment, that management makes to the fixed assets register data, for capital additions to property assets the entry was made between the following:</p> <ul style="list-style-type: none"> Debit: Gross Book Value – Additions £9,687k 2023-24 and £11,460k 2022-23 Credit: Depreciation and Impairment – Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services – £9,683k 2023-24 and £11,461k 2022-23 <p>Management should reflect the loss on revaluation (arising as a result of additions not leading to an increase in valuation) within the gross book value of the note only. This transaction should be made through either the Revaluation Reserve or the Surplus/Deficit on the Provision of Services, in addition to other movements for gains/losses in revaluation.</p> <p>Management does not have detailed additions data for this capital expenditure mapped to an individual asset level. Therefore the split of the adjustment between the Revaluation Reserve and the Surplus/Deficit on the Provision of Services cannot be performed at a detailed level. However, it is reasonable in these circumstances that management utilises their professional judgement in order to determine the appropriate apportionment of this balance.</p> <p>(UPDATE TO BE MADE FOLLOWING CONSIDERATION OF ADJUSTMENT AND UPDATED PRESENTATION)</p>	<p>TBC</p> <p>Management response XXX</p>	TBC

D. Audit adjustments (6)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/Issue/Omission	Auditor recommendations	Adjusted?
<p>Note 6 - Transfers to/from Earmarked Reserves</p> <p>Management transferred £1,141k from the business rates reserve to the carry forwards reserve as a results of an internal reassessment on the use of earmarked reserves</p>	<p>Note 6 has been updated</p> <p>Management response</p> <p>Note 6 reflects this change</p>	✓
<p>Note 1 - Accounting Policies - 1.9 Property, Plant and Equipment</p> <p>Following findings on capital additions in 23/24 management have opted to improve their accounting policy to reflect their approach to capitalisation.</p> <p>Following findings on our debtors/creditors completeness testing in 23/24 management have opted to improve their accounting policy to reflect their accruals de-minimus</p>	<p>Note 1 has been updated</p> <p>Management response</p> <p>Note 1 reflects this change</p>	✓

D. Audit adjustments (7)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
<p>Understatement of expenditure – payments made</p> <p>One sample worth £57,134.38 was identified to be expenditure relating to 2023-24, but it was transacted in the 2024-25 general ledger. The projected misstatement of the impact is determined to be £334,351.29.</p> <p>- Creditors, Cr £334k - Operating expenditure, Dr £334k</p>	334	(334)	334	(334)	Projected misstatement
<p>Understatement of expenditure – invoices received</p> <p>One sample worth £190,163.10 was identified to be expenditure relating to 2023-24, but it was transacted in the 2024-25 general ledger. The projected misstatement of the impact is determined to be £571,084.10.</p> <p>- Creditors, Cr £571k - Operating expenditure, Dr £571k</p>	571	(571)	571	(571)	Projected misstatement
<p>Overstatement of expenditure – Note 7 Operating Expenditure</p> <p>One sample worth £1,793.60 was identified to be expenditure relating to 2022-23, but it was transacted in the 2023-24 general ledger. The projected misstatement of the impact is determined to be £114,857.92.</p> <p>- Creditors, Dr £115k - Operating expenditure, Cr £115k</p>	(115)	115	(115)	£115	Projected misstatement
<p>Understatement of the Pension Fund liability</p> <p>The auditors of Kent Pension Fund (KPF) reported a misstatement of £8,465k within their IAS19 assurances due to a difference between the net assets in the pension fund accounts (£8,143,086k) and the fund assets provided to the actuary by the KPF (£8,134,288k). This results in total variance of £8,323k for KPF as a whole. Folkestone and Hythe District Council's % share of assets in the fund is 1.6%, thus the net effect of the misstatement to FHDC is £133k.</p> <p>- Pension Fund liability, Cr £133k - Re-measurement of net defined liability, Dr £133k</p>	133	(133)	133	(133)	Immaterial actuarial change

D. Audit adjustments (8)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Audit & Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
<p>Overstatement of NNDR creditors</p> <p>One sample worth £6,999 was recorded as a prepayment of NNDR business rates for 2024-25. However, a review of the transaction history noted that there was insufficient evidence that monies received pre year-end did not pertain to 2023-24 taxation. The projected misstatement of the impact is determined to be £230,176.88.</p> <p>- Creditors, Dr £230k - Taxation and non-specific grant income, Cr £230k</p>	(230)	230	(230)	230	Projected misstatement
<p>Note 25 Short-term creditor opening balances</p> <p>In line with our 2021-22 control recommendation, we noted that there were opening balances recorded in the creditor population. For codes N50001 and N50022, this includes a pre-2016 opening balance of £608,398 which cannot be broken down into valid creditors.</p> <p>In reality this balance will have been offset by payments made by the Council in 2016, however the 'matching' of which transactions were made is not possible in the absence of a breakdown of the £619k and a 2016-17 balance of £309k. We have therefore been unable to gain assurance over the £928k recorded within the financial statements. The full balance is therefore deemed to be an uncertainty, in which we have reported to you as a misstatement.</p>	(928)	928	(928)	928	This is an uncertainty (and not a factual error) it is not appropriate to adjust for this balance
Overall impact	(235)	235	(235)	235	

D. Audit adjustments (9)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022-23 financial statements

Detail	Comprehensive Income and Expenditure Statement £	Balance Sheet £	Impact on total net expenditure £	Reason for not adjusting
<p>Council tax creditors</p> <p>Creditors overstated by £627,300 as this amount was in fact paid to council tax accounts in the form of account credits and therefore should not be included as a valid creditor at year-end.</p>	(627,300)	627,300	0	Decision from management
<p>Creditor opening balances</p> <p>In line with our 2021-22 control recommendation, we noted that there were opening balances recorded in the creditor population. For code N50001, this includes a pre-2016 opening balance of £608,398 which cannot be broken down into valid creditors.</p> <p>In reality this balance will have been offset by payments made by the Council in 2016, however the 'matching' of which transactions were made is not possible in the absence of a breakdown of the £608,398. We have therefore been unable to gain assurance over the £608,398 recorded within the financial statements. The full balance is therefore deemed to be an uncertainty, in which we have reported to you as a misstatement.</p>	(608,398)	608,398	0	This is an uncertainty (and not a factual error) it is not appropriate to adjust for this balance
Overall impact	(1,235,698)	1,235,698	(1,235,698)	

E. Fees and non-audit services (1)

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Folkstone & Hythe District Council audit	£168,306	£168,306
ISA 315	£7,530	£9,410
Total audit fees (excluding VAT)	£175,836	£177,716

Non-audit fees for other services	Communication per audit plan	Final fee
Audit-related services (HBAP and PHCR)	TBC	£81,280
Total non-audit fees (excluding VAT)	TBC	£81,280

Total audit and non-audit fee

(Audit fee) £177,716	(Non-audit fee) £81,280
-----------------------------	--------------------------------

The audit fees reconcile to the financial statements as follows:

- Audit fees per financial statements = £168k
- Reconciling item – ISA315 - £9k
- Total audit fees per above - £178k

The non-audit fees reconcile to the financial statements as follows:

- Audit fees per financial statements = £81k
- Reconciling item – N/A
- Total audit fees per above - £81k

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

E. Fees and non-audit services (2)

We confirm below our final fees charged for the long and complex investigations required as part of our consideration of objections brought to our attention by local authority electors under Section 27 of the Local Audit and Accountability Act 2014.

Objection periods	Additional fee
Council audit year ending 31 March 2022	£19,965

These fees are subject to approval by PSAA.

