

This Report will be made public on 21 January 2026



Report Number: **AuG/25/15**

To: Audit and Governance Committee ('A&G')
Date: 29 January 2026
Head of Service: Alan Mitchell – Director of Finance (s151 Officer)
Cabinet Member: Councillor Tim Prater, Deputy Leader and Cabinet Member for Finance and Governance

Subject: 1. Statement of Accounts 2024/25 – Audit Findings Report
2. Update on certification of prior year audit

Summary: In accordance with the Accounts and Audit (Amendment) Regulations, the audit of the 2024/25 Accounts has been completed. The audit findings in relation to the audit of the 2024/25 Statements of Account are set out within the draft Auditor's Audit Findings Report ('AFR') attached as Appendix 1. An update on the certification of prior year audits is also given by the auditors.

Reasons for recommendations:

The Committee is asked to note the recommendations set out below because the Accounts and Audit (Amendment) Regulations require the Council to consider and approve its 2024/25 Statement of Accounts (Appendix 2) to enable formal publication to be made.

Recommendations:

1. To receive and note the Auditor's 2024/25 Audit Findings Report (AFR) (ISA 260) on the Statement of Accounts for 2024/25 (Appendix 1).*
2. To approve the updated and audited Statement of Accounts for 2024/25 (Appendix 2) and note that the final version will be signed by the Chair and S151 Officer*
3. To approve the Management Letter of Representation (Appendix 3) and note that it will be signed by the Chair of the Audit & Governance Committee and the Director of Finance (S151 Officer) on the approved 2024/25 Statement of Accounts.
4. To approve the revised Annual Governance Statement (Appendix 5) incorporating revisions based on feedback from the auditors (and included within Appendix 2).
5. To receive and note the Auditor's annual report 2024/25 (Appendix 6).
6. To receive and note the audit certificate for the prior year (2023/24) audit (attached at Appendix 4).
7. To receive and note the Auditor's Final Audit Plan (Attached at appendix 7)

* = the appendices associated with these recommendations may receive minor revisions as part of the audit finalisation procedures.

1. INTRODUCTION AND BACKGROUND

- 1.1 The 2024/25 Statement of Accounts has been prepared in accordance with the relevant Code of Practice on Local Authority Accounting in the United Kingdom and the Service Reporting Code of Practice, supported by International Financial Reporting Standards (IFRS).
- 1.2 For 2024/25, the statutory deadline for publishing the final audited accounts is 27 February 2026, while the unaudited accounts must be published by 30 June 2025. The Council met this requirement by publishing the draft (unaudited) accounts on 30 June 2025. Approval of the statement of accounts and sign off by the auditors will fulfil the statutory requirements for 2024/25.
- 1.3 Management's responses to planning inquiries for 2024/25 was approved by Audit & Governance Committee on 30 July 2025.

2. 2024/25 AUDIT OF THE ACCOUNTS

- 2.1 Under its terms of reference, the role of this Committee is to review/approve:
 - i) the annual statement of accounts and
 - ii) the external auditor's report to those charged with governance and
 - iii) any issues raised by Grant Thornton from the audit of the accounts.
- 2.2 The audit of the 2024/25 accounts is substantially complete, and now subject to finalisation procedures. It is important to note that the audit opinion in respect of the 2024/25 accounts is currently an unmodified opinion on the accounts, the highest level of assurance.
- 2.3 At the time of drafting this report, the auditors are completing their finalisation procedures (checks) and there may be some trivial/minor points to be concluded. Officers will provide a verbal update on any changes that are required to the appendices at Committee and provide a copy of revised appendices.
- 2.4 A number of accounting and presentational adjustments arising during the course of the audit work have also been noted, discussed and resolved as stated in the draft Audit Findings Report (AFR). Two 'other findings' are raised at pages 24 and 25 of the AFR, one relating to a material prior year error from the Council's professional advisors (and therefore affects the 2023/24 comparative), and one relating to auditor challenge of the Council's disclosures relating to Princes Parade. The Council disagreed with the auditor's position regarding the accounting treatment of the project in the 2024/25 accounts, however agreed to provide some additional disclosures in the accounts. The Council's response to the findings is outlined on page 25 of the AFR and the statement of accounts include updated disclosures on the project (note 45 to the Statement of Accounts).
- 2.5 A number of misstatements are also included in the AFR at pages 38-44 (appendix 1). Pages 37-38 summarise the corrected disclosures, page 39 onwards outlines unadjusted misstatements. The unadjusted misstatements

relate to a pensions disclosure (which is outside our control), a number of smaller errors relating to cut off (postings in the incorrect financial year which are transacted at year end) and historic opening balances over which the auditors have some uncertainty (as historic records over 7 years old have been purged in line with data retention requirements). The cut-off items were identified via samples and have been projected by the auditors as if they applied to the whole population of transactions. These are only projections and not actual misstatement figures. Two low risk process improvement findings have also been raised which officers have noted; it is important to highlight that these two findings have not arisen through any errors identified by the auditors and are merely to recommend best practice. Overall, Members will again note a further reduction in the number of audit findings identified in the 2024/25 accounts compared with 2023/24 and 2022/23 which were signed in the last 12 months demonstrating the effectiveness of financial processes at the Council.

- 2.6 Appendix 5 contains an updated Annual Governance Statement (AGS) for approval. The auditors identified that a small number of matters in the original AGS lacked sufficient detail. As a result, the statement has been revised with minor amendments and will be presented to the Audit & Governance Committee for re-approval.
- 2.7 The Auditor's Annual Report ('AAR') is attached at Appendix 6 which details the work undertaken by Grant Thornton during the 2024/25 Audit, including commentary on the Councils Value for Money (VfM) arrangements.
- 2.8 As Members will note, the auditors have not identified any significant weaknesses in arrangements and of the 8 prior year recommendations (Appendix C to the AAR), 4 recommendations have been fully closed, one has been downgraded to an 'insight' rather than a recommendation and 3 have been closed with a new discrete recommendation. Due to the quick succession of audits (2022/23 signed in December 2024, 2023/24 signed in February 2025, 2024/25 commencing in March 2025 with the statement of accounts being drafted between April and June 2025), the Council has not had any opportunity to address issues identified. Management responses have been provided for the 4 open recommendations – see section 5 of the AAR report.
- 2.9 The Auditor's final audit plan (Appendix 7), has no substantive changes since the draft plan was noted by the Audit and Governance Committee on 30 July 2025, and is attached for completeness.

3. STATEMENT OF ACCOUNTS - Content

- 3.1 In recent years, the authority has seen a change in the audit approach taken by Grant Thornton, with increased scrutiny of the authority's accounting estimates and related disclosures. This includes increased scrutiny of journal postings and the evidence supporting those entries. There has also been a significant focus on two of the largest accounting estimates (pensions liability and property valuations). This additional scrutiny has been seen nationally following requests made on auditors by the FRC and auditing standards.

Narrative Statement

- 3.2 The purpose of the narrative statement provides commentary on the financial statements. It includes an explanation of key events and their effect on the financial statements.

Core Financial Statements

3.3 Movement in reserves statement

Reserves represent the Council's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable. The level of usable reserves, the Council's spending plans, and other sources of funding determine how much council tax needs to be raised. Unusable reserves derive from technical accounting adjustments and cannot be used to support spending. The movement in reserves statement analyses the changes in each of the authority's reserves between 2023/24 and 2024/25.

3.4 Comprehensive income and expenditure statement

The comprehensive income and expenditure statement reports on how the Authority performed during the year and whether its operations resulted in a surplus or deficit. It is produced in a standard format and is made up of five broad sections:

- Cost of services: presented in the management structure of the Council. It includes service specific income and expenditure.
- Other operating income and expenditure: includes the surplus or deficit from the sale of property, plant, and equipment.
- Financing and investment income and expenditure: includes interest payable and receivable and trading account income and expenditure.
- Taxation and general grant income and expenditure: includes revenue from council tax, business rates and government revenue and capital grants.
- Other comprehensive income and expenditure: includes items which are not allowed to be accounted for elsewhere, such as increases in the value of land and buildings and changes in the actuarial assessment of pension assets/liabilities.

3.5 Balance Sheet

The balance sheet is a 'snapshot' of the authority's financial position at a point in time, showing what it owns and owes at 31 March 2025. It is divided into assets, liabilities and reserves.

3.6 Cash flow statement

The cash flow statement sets out our cash receipts and payments during the year, analysing them into operating, investing, and financing activities. Cash-flows are related to income and expenditure but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the comprehensive income and expenditure statement when the transactions occurred, not when the cash was paid or received.

3.7 'Accounting Policies' and 'Notes' to the 'Core Financial Statements'

The accounting policies set out the accounting rules the authority has followed in compiling the financial statements. They are largely specified by International Financial Reporting Standards ('IFRS') and the Local Authority Accounting Code of Practice. We have limited discretion to amend them. The notes to the accounts provide further detail for the figures within the core statements as well as other information we are required to include in the Statement of Accounts.

4. KEY EXTERNAL AUDIT FINDINGS AND AMENDMENTS TO THE STATEMENT OF ACCOUNTS

- 4.1 Audit findings and amendments to the 2024/25 financial statements are detailed in Appendix 1 - *Audit Findings (ISA260) report for Folkestone and Hythe District Council*. The audit findings/amendments set out within the auditors report have been reflected within the revised statement of accounts appended to this report at Appendix 2. The Committee is asked to note these amendments in the 2024/25 Statement of Accounts, which have been agreed by officers. A number of disclosure adjustments, to improve the presentation of the financial statements have also been agreed.

5. LETTER OF REPRESENTATION 2024/25

- 5.1 Each year, on completion of the audit of the Council's Financial Statements, the Director of Finance (s151 Officer) is required to submit a management 'letter of representation' to the Council's external auditor. The letter formally and publicly confirms the accuracy and completeness of the presented Statement of Accounts. This is a standard documentation requirement in the course of closure of an external audit.
- 5.2 A copy of the draft letter of representation for 2024/25 is attached at Appendix 3, and on receipt of the signed letter of representation, the Council's external auditor will formally issue an opinion on the Financial Statements. Members are asked to approve management's letter of representation to be signed by the S151 officer and the Chair of the Committee.

6. Update on the prior year Statement of Accounts certificates

- 6.1 As Members will be aware, there was a delay to the certification of the 2023/24 statement of accounts. The delays, which were related to the whole of government accounts (WGA) have now been resolved and the 2023/24 certificate is attached at Appendix 4.

7. CONCLUSION

- 7.1 The Committee is asked to note the Grant Thornton's 2024/25 Audit Findings report (ISA 260) on the 2024/25 Statement of Accounts and approve the audited Financial Statements for 2024/25.

8. LEGAL/FINANCIAL AND OTHER CONTROLS/POLICY MATTERS

8.1 Legal Officer's Comments (JS)

There are no legal implications arising directly out of this report that are not already referred to in the report.

8.2 Finance Officer's Comments (JS)

This report has been prepared by Financial Services and all financial matters contained within the body of the report.

8.3 Diversity and Equalities Implications (JS)

There are none arising directly from this report. This report presents the factual statutory accounts for approval by the A&G.

9. CONTACT OFFICERS AND BACKGROUND DOCUMENTS

Councillors with any questions arising out of this report should contact the following officer prior to the meeting.

Jonathan Smith, Chief Officer – Financial Services

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Email: jonathan.smith@folkestone-hythe.gov.uk

The following background documents have been relied upon in the preparation of this report:

10. Appendices:

- Appendix 1 - The 2024/25 Audit Findings report, including the Audit Opinion from Grant Thornton in accordance with the International Standard of Auditing (ISA 260).
- Appendix 2 - Revised Statement of Accounts for 2024/25
- Appendix 3 - The 2024/25 Management Letter of Representation.
- Appendix 4 – Certificate for prior year audit.
- Appendix 5 – Revised Annual Governance Statement 2024/25
- Appendix 6 – Auditor's Annual Report ('AAR') 2024/25
- Appendix 7 – Auditor's Final Audit Plan 2024/25



Audit Plan for Folkestone & Hythe District Council

Year ending 31 March 2025

April 2025



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01 Key developments impacting our audit approach

Local government reorganisation (LGR)

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for devolution of power across England. Devolution is seen by the government as fundamental in achieving the change the public expect and deserve. Government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world, the paper sets out to change that. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the strategic authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

Government will facilitate a programme of LGR for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision-making. This will be done in a phased approach and, for most, will mean creating councils serving a population of 500,000 or more. Along with devolution Government wants to reset its relationship with local government, end micro-management and enable local government through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the White Paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation; and
- Re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to 2-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We expect an interim plan shortly after 21 March 2025 and a full proposal by 28 November 2025.

Challenges of LGR

Post publication of the English Devolution White Paper and instructions to set out the plans for a joint programme of devolution and local government reorganization, on 5 February 2025, a list of places was announced who had opted in to join the government's Devolution Priority Programme, which would aim to have mayoral elections in May 2026. On the same date, the Minister asked all councils in 2-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. Those selected in the 'first wave', have until 21 March 2025 to develop interim plans, with final plans required by 9 May 2025.

Whilst clearly proposals are at a strategic level, there are potential impacts on decision-making at a local level in the period up to the formal reorganisation taking effect. Of particular concern for some existing bodies is the fact that where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, they may well end up being repurposed to cover an overspend incurred by a successor body. Thus, there is potential incentive for bodies to run down reserves prior to the formal merger, to ensure these balances are utilised for the purposes intended when originally set aside. The same may apply for balances such as the Community Infrastructure Levy, which again is at risk of being utilised for different purposes than planned in any successor body.

Auditors will be keeping a close eye, as part of their Value for Money work, for any schemes or projects where there may be evidence of reserves being run down in advance of LGR. Whilst authorities ultimately will still have powers to make some spending decisions in advance of LGR, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond May 2026, when the first group of elected mayors are expected to be in place.

To help ensure appropriate decisions are made during this period, some questions for audit committees to consider include:

- Where earmarked reserves are being utilised, is the Committee clear the reserves are being used for the intended plans?
- Where projects will run beyond the LGR timeframe, is the Committee comfortable the decision-making would stand an appropriate level of challenge and scrutiny?
- Have local residents been consulted in any development plans to ensure they are in line with local needs?
- Do reserve balances remain at a prudent and appropriate level – LGR does not absolve key staff from their statutory responsibilities, particularly around setting a balanced budget and holding a prudent level of reserves.

Where auditors see evidence of funds utilised in an unintended manner or to the detriment of relevant stakeholders, they will focus on this as part of their Value for Money work and may potentially consider using their statutory powers where they feel they have sufficient evidence to do so.

Other areas of note during this period should include:

- In the short-term LGR is likely to require more capacity, from a personnel perspective, than less and thus genuine cost savings are unlikely for a few years;
- Effective governance and stewardship will remain key throughout – it is important that Internal Audit, Counter Fraud and the risk management processes remain strong and alert during this period; and
- Financial statements remain important and should be produced on time during this period, with relevant backstop dates met.

Local audit reform

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

Government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies; and
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

Proposals for an overhaul of the local audit system

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- Setting out the vision and key principles for the local audit system;
- Committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- Enhancing capacity and capability in the sector;
- Strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- Increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022-23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach (1)

National position – The pandemic along with the cost-of-living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, councils play a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand, and it is difficult to find land for new housing developments. New requirements around net zero and other environmental considerations complicate planning permission. Local authorities face the challenge of providing adequate housing whilst balancing environmental sustainability and statutory planning requirements.

Funding: Councils face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for councils to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital transformation: The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Councils need to ensure inclusivity in digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Councils need to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, authorities become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and councils must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our response

Building and maintaining public trust is the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of services provided to local residents. The clearest evidence of this is that service spending is increasingly focused on adult and children's social care, temporary housing, homelessness, and local community services. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change.

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local councils to overcome financial constraints and deliver quality services.

Our VFM work continues to identify significant weaknesses in all criteria of the Code of Audit Practice, showing that councils face increasing pressure to provide services while managing change and reducing costs. We understand that the operating environment is dynamic and challenging. This understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced by our local authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach (2)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director - Governance and Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK-based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
- We would like to offer a formal meeting with the Chief Executive twice a year, and with the Director – Governance and Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit and Governance Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources via our audit committee sector update reports.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.



IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all local government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.” In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases. There are however the following exceptions:

- leases of low value assets (optional for LG); and
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if a LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16, as appropriate.

Planning enquiries

As part of our planning risk assessment procedures, we are assessing the Council's readiness to implement this new accounting standard. We anticipate receiving a management working paper outlining potential impact of this new standard on the Council's financial statements. Should the assessment reveal a material impact, the implementation of IFRS16 will be considered a significant risk requiring additional audit procedures. These procedures would involve understanding the Council's lease arrangements and review of the controls in place. We will update the Audit and Governance Committee in due course.

02 Introduction and headlines

Introduction and headlines (1)



Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Folkestone & Hythe District Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Folkestone & Hythe District Council. We draw your attention to these documents.

- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk-based.

Introduction and headlines (2)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of plant, property & equipment, council dwellings, and investment property
- Valuation of the defined benefit pension net liability
- Level 3 financial assets and liabilities
- Risk of fraud in revenue recognition (ISA (UK) 240 presumed – rebutted for all Council revenue streams)
- Risk of fraud in expenditure recognition (rebutted) and other risk of completeness of expenditure

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.



Group audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Oportunitas Limited
- Otterpool Park LLP
- Otterpool Park Development Company Limited

Materiality

We determined planning financial statement materiality to be £2.650m (PY £2.035) for the Group, and £2.620m (PY £1.949m) for the Council, which equates to 2.5% of your prior year gross operating costs.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.133m (PY £0.101m) for the Group, and £0.131m (PY £0.097m) for the Council.

We determined a specific lower materiality of £20,000 per individual, for senior officers' remuneration and termination benefits.

Value for Money arrangements

At the time of writing, we have yet to conclude our detailed VFM planning and risk assessment procedures. At this stage we have not identified any risks of significant weakness.

We will update the Audit and Governance Committee on the outcome of our planning procedures, our resulting risk assessment and our planned responses to identified risks of significant weaknesses in arrangements in due course.

Audit logistics

Our planning and risk assessment audit visit took place in March 2025 and our final visit will take place in October to December 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.



Our proposed fee for the audit is £192,030 (PY £200,258) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

03 Identified risks

Significant risks identified (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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	This risk relates to both the Council and Group. Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	The Council faces external scrutiny of its spending, and this could place management under undue pressure in performance reporting. We have 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.	Our audit procedures will include, but are not limited to: <ul style="list-style-type: none"> • Evaluate the design and implementation effectiveness of management controls over journals. • Analyse the journals listing using data analytics tools and determine the criteria for selecting high risk unusual journals. • Test unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
<div>  <p>"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).</p> <p>In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).</p> </div>			
<div>  <p>Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.</p> <p>Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.</p> </div>			

Significant risks identified (2)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of property, plant & equipment, council dwellings, and investment properties	This risk relates to the Council only. Under ISA 540 (UK) and ISA 315 (UK), auditors are required to determine the assessed risk of material misstatements in relation to accounting estimates. This involves considering the extent to which an accounting estimate is subject to estimation uncertainty, including the degree of complexity, subjectivity, or other inherent risk factors that could affect the susceptibility of the estimate to material misstatement due to fraud or error.	<p>The Council revalues its land and buildings, council dwellings, and investment properties to ensure that the carrying value of its assets are not materially different from current value at the financial statements date. Management engages an external valuation expert to carry out the valuation as at 31 March 2025.</p> <p>The valuation of land and buildings, council dwellings, and investment properties represents a significant accounting estimate in the Council's financial statements. This is considered significant due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions and market conditions, and overall level of judgement involved.</p> <p>Other land & buildings (PY £33.209m): revalued to current value on a rolling five yearly basis, applying valuation techniques and key assumptions made by the valuer.</p> <p>Council dwellings (PY £217.075m): measured at fair value, determined using the basis of existing use value for social housing, on a cyclical approach using the Beacon methodology.</p> <p>Investment properties (PY £30.278m): measured and revalued annually at highest and best use.</p> <p>We therefore assessed the valuation of other land and buildings as a significant risk due to the inherent risk of material misstatement arising from error. Specifically, we consider the following areas of pinpointed significant risk:</p> <p>Assets that are material; assets where the change in valuation is outside of expectation based on market indices and our knowledge of the Council's asset base; significant changes in key assumptions applied in valuation of assets from the prior year; and other factors considered to increase the risk of material misstatement based on auditor judgement.</p>	<p>Our audit procedures will include, but are not limited to:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. Evaluate the competence, capabilities and objectivity of the valuation expert engaged by the Council. Write to or discuss with the valuation expert engaged by the Council, the basis on which the valuations were carried out. Challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding. Test, 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. 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. Evaluate 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.

Significant risks identified (3)

Significant risk	Risk relates to	Audit assessment	Planned audit procedures
Valuation of the defined benefit pension net liability	This risk relates to the Council only. Under ISA 540 (UK) and ISA 315 (UK), auditors are required to determine the assessed risk of material misstatements in relation to accounting estimates. This involves considering the extent to which an accounting estimate is subject to estimation uncertainty, including the degree of complexity, subjectivity, or other inherent risk factors that could affect the susceptibility of the estimate to material misstatement due to fraud or error.	<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 comprises of a number of complex methods and assumption adjustments. Some of the key assumptions include, the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A change in either assumption or method applied could result in a significant impact on the determined pension liability estimate, making the estimate susceptible to risk of material misstatement. Management engages Barnet Waddingham LLP as the Council's actuarial expert, of whom conduct the pension valuation in accordance with IAS 19.</p> <p>We therefore assessed the valuation of the pension fund net liability as a significant risk due to the inherent risk of material misstatement arising from error.</p> <p>Specifically, we consider the following areas of pinpointed significant risk:</p> <ul style="list-style-type: none"> • Key assumptions applied by the actuary • Significant changes in assumptions applied from the prior year • Material experience gain or losses recorded in the accounting period • Other factors considered to increase the risk of material misstatement based on auditor judgement. 	<p>Our audit procedures will include, but are not limited to:</p> <ul style="list-style-type: none"> • Update 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 evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the accuracy and completeness of the information provided by the Council to the actuary to complete the pension fund valuation. • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake 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. • Obtain 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. • If a net pension asset is recorded, ensuring that the asset recorded in the financial statements meets the requirements of IFRIC 14.

Significant risks identified (4)

Significant risk	Risk relates to	Audit assessment	Planned audit procedures
Level 3 financial assets and liabilities	<p>This risk relates to the Council only.</p> <p>Under ISA 540 (UK) and ISA 315 (UK), auditors are required to determine the assessed risk of material misstatements in relation to accounting estimates. This involves considering the extent to which an accounting estimate is subject to estimation uncertainty, including the degree of complexity, subjectivity, or other inherent risk factors that could affect the susceptibility of the estimate to material misstatement due to fraud or error.</p>	<p>The Council reviewed the fair value of 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 have 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>Our audit procedures will include, but are not limited to:</p> <ul style="list-style-type: none"> • Gain an understanding of the Council's process for valuing level 3 financial assets and liabilities and evaluate the design of the associated controls. • Review 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. • Consider the competence, expertise and objectivity of any management experts used. • Challenge management about the disclosure of the level 3 financial asset. • Consider whether we need to engage our own valuer to assess the inputs and assumptions that underpins the level 3 assets valuation.

Significant risks identified (5)

Significant risk	Risk relates to	Audit assessment	Planned audit procedures
Risk of fraud in revenue recognition ISA (UK) 240 presumed – (rebutted for all revenue streams)	<p>This risk relates to both the Council and Group.</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>We identified and completed a risk assessment of all revenue streams for the Council and Group. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams 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 the Folkestone & Hythe District Council means that all forms of fraud are seen as unacceptable, indicating a satisfactory control environment exists in the Council to mitigate the risks of fraud. <p>We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure the judgement remains appropriate.</p>	<p>To gain assurance over revenue we will:</p> <ul style="list-style-type: none"> • Select a sample of revenue items from each material revenue stream and test to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • Inspect transactions which occurred in the year and ensure they have been included in the current financial year. • Confirm our understanding of the revenue business process and determine if there are any relevant controls.

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Risk relates to	Audit assessment	Planned audit procedures
Fraud in expenditure recognition	<p>This risk relates to both the Council and Group.</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result, under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We identified and completed a risk assessment of all expenditure streams for the Council and Group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This determination is based on the low fraud risk inherent in the nature of the underlying transactions, as well as the immaterial nature of both individual and collective expenditure streams.</p> <p>Our fraud risk assessment in respect of expenditure considered the following:</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 Folkestone & Hythe District Council, mean that all forms of fraud are seen unacceptable. <p>However, despite rebutting the risk of fraud in expenditure recognition, we assessed an increased risk of error in estimation and cut-off processes at year-end in respect of the completeness of expenditure. Such as we have considered the volume of transactions at year-end and the process of estimation involved in manual year-end accruals, in respect of accurately capturing and recognising expenditure within the correct financial period. We do not consider this to be a significant risk for the Council and Group but will keep this consideration under review through the audit to ensure the judgement remains appropriate.</p>	<p>Our audit procedures will include, but are not limited to:</p> <ul style="list-style-type: none"> • Inspect transactions incurred around the end of the financial year to assess whether they were included in the correct accounting period. • Inspect a sample of accruals made at year-end for expenditure but not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year-end. • Investigate manual journals posted as part of the year-end accounts preparation that reduce expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

04 Group audit

Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Folkestone & Hythe District Council	Yes	Audit of the entire financial information of the component	Group auditor	Risks identified have been included on pages 14 to 19.	Grant Thornton UK
Oportunitas Limited	Yes	Review of financial information, analytical procedures at group level, and specified audit procedures in relation to investment properties.	Group auditor	Valuation of investment properties, see page 15.	Begbies Chartered Accountants
Otterpool Park LLP	No	Analytical procedures at group level.	Group auditor	N/A	Kreston Reeves LLP
Otterpool Park Development Company Ltd	No	Analytical procedures at group level.	Group auditor	N/A	Kreston Reeves LLP

Involvement in the work of component auditors

We will not involve or rely on the work of component auditors, given the limited area in subsidiaries requiring testing. Instead, we will conduct testing for significant accounts and transactions at the group level.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

05 Our approach to materiality

Our approach to materiality (1)

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.

Matter Description	Planned audit procedures
<p>01 Determination</p> <p>We determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements.</p>	<p>We determine planning materiality to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. – assist in establishing the scope of our audit engagement and audit tests. – determine sample sizes. – assist in evaluating the effect of known and likely misstatements in the financial statements.
<p>02 Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature when it relates to:</p> <ul style="list-style-type: none"> – instances where greater precision is required.
<p>03 Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
<p>04 Matters we will report to the Audit and Governance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> • We report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.133m (PY £0.101m) for the Group and £0.131m (PY £0.097m) for the Council. • If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality (2)

	Group £	Council £	Qualitative factors considered
Materiality for the Group financial statements	2,650,000	2,620,000	<p>We determined the financial statement materiality based on a proportion of the prior year gross expenditure of the Council and Group. The primary interest of the main users of the financial statements is in the cost of providing services and how the Council and Group manage spending. As such, we conclude that the gross expenditure is the most appropriate benchmark to set the materiality levels for the Council and Group.</p> <p>Materiality at the planning stage of our equates to approximately 2.5% of the prior year gross expenditure for the period. The materiality benchmark percentage has increased from previous year in line with the recent update to Grant Thornton guidance for financial statements materiality. We deem this change to be appropriate for the Council and Group as there were no significant matters coming to our attention suggesting a lower benchmark percentage was appropriate.</p>
Trivial matters	132,500	131,000	<p>This is 5% of materiality.</p>
Materiality for specific transactions, balances or disclosures – senior officer remuneration and exit packages		20,000	<p>We identified senior officer remuneration and termination benefits as disclosures where we will apply a lower materiality level, as they are considered sensitive disclosures to the read of the financial statements. An amendment of £20,000 or more would have a quantitatively and qualitatively material impact on the relevant disclosures in the financial statements. Note, this is not a cumulative amount and will be applied to each senior officer.</p>



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320).

06 Progress against prior year audit recommendations

Progress against 2023-24 audit recommendations

We identified the following issues in our 2023-24 audit of the Council's financial statements, resulting in 2 audit recommendations reported in our 2023-24 Audit Findings Report. We have followed up on the implementation of our recommendations and they are still to be addressed.

Issue/Risk previously communicated

1. Journals authorisation (assessed as low risk) – 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.

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.

Recommendation – Consider formalising the authorisation hierarchy for journals authorisation.

2. Declarations of interest (assessed as medium risk) – Three councillors did not complete annual declaration of interest forms in the 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. 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. The related party received a £9,347.83 High Street Grant Fund Payment from the Council in-year. 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.

Recommendation – Members should ensure that declarations of interest are complete and accurate. Management should ensure that all declarations of interests are receipted in a timely manner to inform year-end disclosures.

Update on actions taken to address the issue

This recommendation is **in progress**.

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.

Management will, however, seek to expressly formalise 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.

This recommendation is **in progress**.

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.

Progress against 2022-23 audit recommendations (1)

We identified the following issues in our 2022-23 audit of the Council's financial statements, resulting in 3 audit recommendations reported in our 2023-24 Audit Findings Report. We have followed up on the implementation of our recommendations and they are still to be addressed.

Issue/Risk previously communicated

1. Trial balance mapping (assessed as medium risk) – 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. 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.

Recommendation – Management should implement a trial 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.

As part of our 2023-24 audit procedures, we 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.

2. 2021-22 Debtor and creditor opening balances (assessed as high risk) – 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.

Recommendation – The Council should ensure that brought forward debtor and creditor balances only include valid transactions, relevant to the financial year.

Update on actions taken to address the issue

This recommendation is **in progress**.

Management is 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 audit 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.

Management expects the replacement for the new financial management system will be in year 2025-26.

This recommendation is **in progress**.

Management is 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 audit 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.

Management expects the replacement for the new financial management system will be in year 2025-26.

Progress against 2022-23 audit recommendations (2)

Issue/Risk previously communicated

3. 2021-22 Cleansing of the fixed asset register (*assessed as medium risk*) – 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.

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.

Recommendation – The Council should co-ordinate a review of all assets held at nil net book value and write out those assets which are no longer in use. Any assets that remain in use should be reviewed to establish the appropriate value and useful economic life.

Update on actions taken to address the issue

This recommendation is **in progress**.

Management to review the fixed asset register and associated accounting / depreciation policies.

07 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
E-Financials	Financial reporting – general ledger	<ul style="list-style-type: none">– Detailed ITGC assessment (design and implementation of controls only)– Understanding of IT general controls– Understanding of IT environment– ITGC segregation of duties analysis– Cyber security work plan

We have not identified significant changes during the period affecting the IT controls of the Council and therefore no additional audit procedures will be completed.



08 Value for Money arrangements

Value for money arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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.

Risks of significant weakness in VFM arrangements

Initial risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this indicative Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024-25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023-24 Auditor judgement on arrangements		2024-25 risk assessment	2024-25 risk-based procedures
Financial sustainability	A	No significant weakness in arrangements identified, but two prior year improvement recommendations remained open. These improvement recommendations relate to plans for managing the MTFS funding gap to reduce reliance on use of reserves, and to strengthen the link between strategic priorities and the Capital Programme.	Planning and risk assessment work is not yet complete. At the time of reporting we have not identified risks of significant weakness in any of the criteria areas.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will continue with our risk assessment procedures and undertake sufficient work to document our understanding of your arrangements as required by the Code. If we identify significant weaknesses during the course of our work we will communicate these with management and those charged with governance.
Governance	A	No significant weakness in arrangements identified, but two improvement recommendations made in relation to embedding risk management throughout the organisation, and to continue strengthening the finance team and financial reporting processes.		
Improving economy, efficiency and effectiveness	A	No significant weakness in arrangements identified, but two improvement recommendations made regarding integration of financial and non-financial performance reporting, officer awareness of procurement and contract management obligations, and having an effective complaints process in place.		

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

No significant weaknesses in arrangements identified, but improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendations made.

09 Logistics

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

<div><div><div>Paul Dossett</div><div>Key Audit Partner</div><div><ul style="list-style-type: none">• Key contact for senior management and Audit and Governance Committee• Responsible for overall audit quality</div></div><div><div>Kieran McDermid</div><div>Audit Manager</div><div><ul style="list-style-type: none">• Works with your senior finance team members• Responsible for overall audit management, audit delivery and reporting• Resource management</div></div><div><div>Megat Azlan</div><div>Audit In-charge</div><div><ul style="list-style-type: none">• Day-to-day point of contact• Leads the audit fieldwork</div></div></div>				
	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• Audit Plan• Audit progress report and sector updates• Audit Findings• Auditor’s Annual Report	<ul style="list-style-type: none">• Audit planning meetings• Weekly audit progress update• Communication of issues• Audit clearance meeting	<ul style="list-style-type: none">• Technical updates• Chief accountants’ workshop
Informal communications	<ul style="list-style-type: none">• Open channel for discussion	<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• General audit matters	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK-based team. They work as part of the engagement team, reporting directly to Sophia and Kieran and will interact with you in the same way as our UK-based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

10 Fees and related matters

Audit fees



Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local government audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Folkestone & Hythe District Council to begin with effect from 2023-24. The scale fee set out in the PSAA contract for the 2024-25 audit is £183,758.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous audit year
- Production of the draft audit planning report to audited body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#).

Updated auditing standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Our fee estimate

Our estimate of the audit fees, along with the fees billed in the prior year:

	Audit fee for 2023-24 £	Proposed fee for 2024-25 £
Folkestone & Hythe District Council audit	168,306	183,758
Group audit procedures*	8,000	8,272
ISA 315**	9,410	-
Additional work***	14,542	-
IFRS 16****	-	TBC
Total (exc. VAT)	200,258	192,030

Please note:

* The audit fee for group audit procedures is not included within the PSAA scale fees for 2023-24 or 2024-25.

** ISA 315 was not built into the PSAA scale fee for 2023-24 but is included in the scale fee for 2024-25, thus this fee reflects the procedures work required under the revised standard.

*** Additional fees are subject to the approval of PSAA. Furthermore, the proposed fee is based on the assumption that the system is expected to be non-complex, and we are able to obtain sufficient assurance from our initial planned procedures. If our initial planned procedures identify any findings that require further procedures, we will inform management and revise the fee accordingly to compensate for this.

**** We also expect to charge an additional fee for the implementation of IFRS 16. This will be calculated based on the amount of time spent by the audit team and will be reported to the Audit and Governance Committee in our Audit Findings Report.

Our fee estimate

We set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit;
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements;
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements; and
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the areas of the valuation of Plant, Property & Equipment, council dwellings, and investment property, and the valuation of the net pension fund liability.

11 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

FRC Ethical Standard

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. There have been no such breaches to report. We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Group 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 at planning 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 and network firms have 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. Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Fees and non-audit services

The following table sets out non-audit services charged from the beginning of the financial year to the date of issue of this audit plan, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

The following non-audit services are consistent with the Group’s policy on the allotment of non-audit work to your auditor and have been approved by the Audit and Governance Committee. None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Folkestone & Hythe District Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that the level of the fee for non-audit services not significant in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, there is no contingent element to this fee.

Assurance service fees

Service	Fees £	Threats identified	Safeguards applied
Housing Benefit (Subsidy) Assurance Process - Certification 2023-24 - Certification 2024-25	45,000* TBC	Self-interest (because this is a recurring fee)	The level of these recurring fees taken on their own is not considered a significant threat to independence as the fees for this work plus variable fees in comparison to the total fee for the audit of £192,030 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.
Pooling of housing capital receipts	10,000	Self-interest (because this is a recurring fee)	
DESNZ Grant assurance 2023-24	9,500	Self-interest (because this is a recurring fee)	The level of these recurring fees taken on their own is not considered a significant threat to independence as the fees for this work in comparison to the total fee for the audit of £192,030 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, fees are fixed and there are no contingent elements. These factors all mitigate the perceived self-interest threat to an acceptable level.

*Any variable fees incurred will be charged in addition to the above fixed fee for the service.

This covers all services provided by us and our network to the Group, 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.

12 Communication of audit matters with those charged with governance

Communication of audit matters with 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 and Key Audit Matters	●	
Planned use of internal audit	●	
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.	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●

Our communication plan	Audit Plan	Audit Findings
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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.

13 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:



Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.



Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.



Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Delivering audit quality

Digital differentiation

We are a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

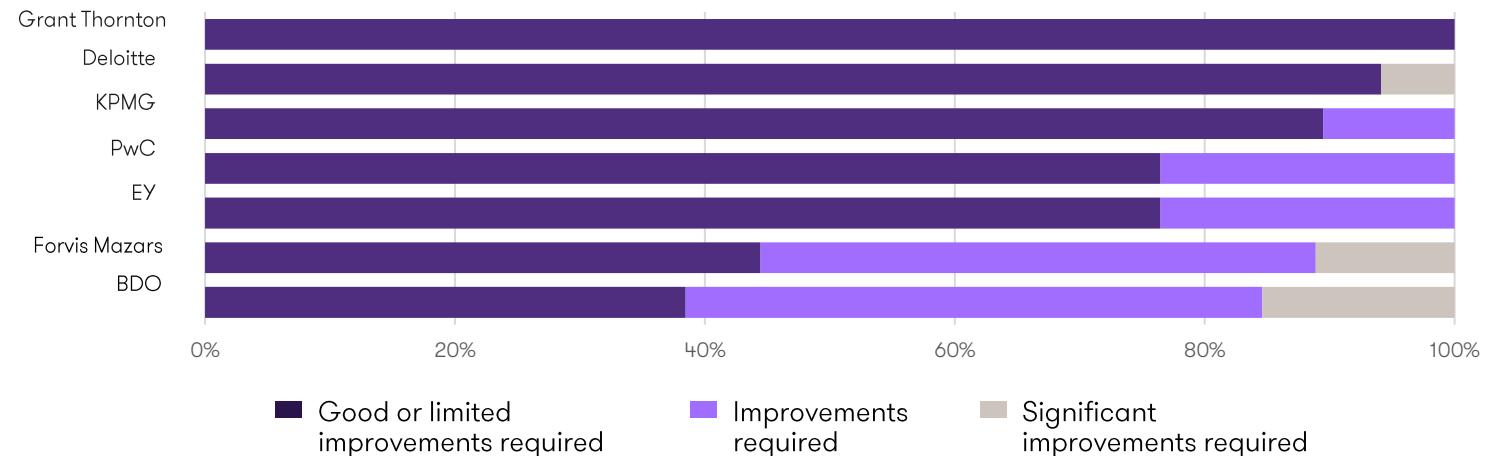
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become issues, we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit quality inspection and supervision inspection
(% of files awarded in each grading, in the most recent report for each firm)



14 Appendices

Escalation policy



The Backstop

The Department for Levelling Up, Housing and Communities introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation process

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 – Initial communication with the Director – Governance and Finance (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

- We will have a conversation with the Director – Governance and Finance to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 – Further reminder (within two weeks of deadline)

- If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 – Escalation to Chief Executive (within one month of deadline)

- If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 – Escalation to the Audit and Governance Committee (at next available Audit and Governance Committee meeting or in writing to Audit and Governance Committee within 6 weeks of deadline)

- If senior management is unable to resolve the delay, we will escalate the issue to the Audit and Governance Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

- If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

Aim

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Council's financial statements.

IFRS reporters: New or Revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within local government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters: Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and disclosure in the financial statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement.
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures.
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton digital audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement



02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step-by-step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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Folkestone & Hythe District Council

Auditor's Annual Report
Year ending 31 March 2025

January 2025



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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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Folkestone & Hythe District Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National

Past



Funding Not Meeting Need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.



Workforce and Governance Challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Local

Folkestone & Hythe District Council is one of 12 district and borough councils in the county of Kent, with a population of approximately 110,000 residents. The Council operates under a leader and cabinet executive model, which oversees the formation of major policies, strategies, and plans. This governance structure includes the Full Council and an Executive (Cabinet). The Council comprises 30 elected councillors, representing 13 wards across the district. Elections are held every four years, with the most recent taking place in May 2023. The current administration is under no overall control, with the Green Party holding the largest number of seats, followed by Labour, Conservatives, Independents, Liberal Democrats and Reform UK. Under the current local government reorganisation (LGR) agenda all Kent councils are expected to be replaced by a smaller number of new unitary councils by 1st April 2028.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

Present



Financial Sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.



External Audit Backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future



Funding Reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.



Reorganisation and Devolution

Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Grant Thornton Insights – Local Government Reorganisation (LGR)

National perspectives - devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a 2-tier were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new unitaries from April 2028.

Local perspectives - LGR in the Kent region

In February 2024 the 14 councils in the Kent region (including Medway) were informed they would not be included in the Devolution Priority Programme. The move to a Mayoral Strategic Authority model for regional services would be delayed.

Kent councils submitted an interim plan for LGR in March 2025 and are currently developing a full proposal for submission by 28 November 2025. Governance arrangements are in place to manage the process, overseen by the Kent and Medway Joint Chief Officers group. A single external development partner has been appointed to develop options for consultation over the summer and autumn of 2025 and will support the development of the final proposals in November.

Our discussion with councils in the Kent region indicate a good level of collaboration between officers to progress the LGR agenda. Kent has a diverse political landscape and the political discussion is expected to become more challenging as the proposals crystallise, particularly in regard to the specific configuration of the new unitaries.



Grant Thornton insight

What the Council is already doing

- Active participation of officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- The setting up of a £1m reserve to cover transitional costs associated with LGR
- Prioritising staff development and retention to maintain service delivery through the transition

The Council should consider

- Modelling potential outcomes to discuss with members and establish political priorities.
- Making advance preparations for member and public engagement within a tight timeframe.
- Making use of available guidance, including the "Learning from the new unitary councils" report by Grant Thornton.

02 Executive Summary

Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses in arrangements identified. No new improvement recommendations made, but two prior year improvement recommendations remain open.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified. No new improvement recommendations made, but prior year recommendation remains open.
Governance	A No significant weaknesses in arrangements identified, but two improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendations made.
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but three improvement recommendations made.	No risks of significant weakness identified.	A No significant weaknesses in arrangements identified, but one improvement recommendation made.



No significant weaknesses or improvement recommendations.



No significant weaknesses, improvement recommendation(s) made.



Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

The Council continues to manage its finances effectively although there are challenges in the medium-term financial position that need to be managed. The Council uses a four-year Medium Term Financial Strategy to forecast pressures, allocate resources, and test assumptions, supported by risk documentation, variance tracking, and a reserves strategy for short- and long-term needs. Budget setting uses a priority-based budgeting approach and financial planning aligns with strategic priorities through integrated strategies and quarterly monitoring. Capital programme slippage remains a challenge but has improved to 20%, and savings are managed through standard controls with councillor oversight. Arrangements are adequate overall, but we raised an improvement recommendation to address the projected £3.6m medium-term funding gap so that under LGR, the new unitary council inherits a sustainable financial position.



Governance

The Council continues to implement effective governance arrangements. It has implemented effective arrangements for risk management, internal controls, and fraud prevention. Internal audit and counter-fraud services are delivered by East Kent Audit Partnership with positive assurance, and fraud prevention is underpinned by a formal framework and whistleblowing policy, with no material incidents reported. Budget-setting follows a structured process aligned to strategic objectives, supported by detailed estimates, officer and member scrutiny, and public consultation. Quarterly financial monitoring and treasury reporting support delivery of the budget and arrangements are in place to support informed decision-making by elected members. Governance is generally sound, with effective Cabinet and scrutiny processes, though we noted an opportunity to strengthen management of the shared waste contract and procurement practices.




Improving economy, efficiency and effectiveness

The Council has put in place adequate arrangements to deliver value for money in its operational activity. The Council uses integrated financial and performance reporting, supported by a Performance Management Framework. This is supported by regular reviews by the leadership team and assurance from internal audit. A new system, TechnologyOne is being implemented to further improve financial management. Service performance and efficiency is supported by partnership governance arrangements and the monitoring of complaints. The Otterpool project is underway, and it will be important for members to review its progress closely. We note the decision to write off sunk costs for the abandoned Princes Parade project (£3.4m) was supported by a sound rationale, however it is unfortunate that value for money for this investment was not achieved, and lessons should be learned for future programmes.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome	
Opinion on the Financial Statements	Our audit of your financial statements is substantially complete, and we plan to issue an unqualified audit opinion following the Audit and Governance Committee meeting on 29 January 2026. Our findings are set out in further detail on pages 11-12.	
Use of auditor’s powers	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>	

03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We plan to issue an unqualified opinion on the Council's financial statements following the Audit and Governance Committee meeting on 17 December 2025.

The full opinion will be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit and Governance Committee on 29 January 2026. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council identifies financial pressures through forecasting and strategic planning, using a four-year Medium Term Financial Strategy that incorporates inflation, interest rates, and economic volatility. It applies Priority Based Budgeting to focus resources on key services and uses sensitivity analysis to test assumptions. Risks are documented and mitigated, and variances in income and expenditure are tracked to refine future forecasts. Subsidiary performance and capital programme delivery are monitored to reflect external factors. A reserves strategy supports short-term pressures and long-term sustainability, with funds set aside for known risks like reorganisation and homelessness. Overall, the arrangements are adequate.</p> <p>An improvement recommendation from 2022/23 relating to a medium-term funding deficit was kept open in 23/24. This year, a medium-term funding gap has been identified with a cumulative deficit of £3.6m by 1st April 2028. We will close the old recommendation and open a new one with refreshed wording to reflect the fact that the Council now has less time to close the gap in the run up to LGR on the 1st April 2028.</p>	A
plans to bridge its funding gaps and identify achievable savings	Savings are monitored through standard budgetary controls, and the 2024/25 outturn showed an underspend against budget, indicating sound financial management. Councillors are actively involved in financial decisions, and public consultation supports transparency in the savings process. These arrangements appear sufficient to identify and monitor achievable savings.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's financial planning is aligned with its strategic priorities, as demonstrated by the Corporate Plan and Capital Strategy, which direct investment towards key objectives. Although the capital programme has experienced slippage, the reduction to 20% in 2024/25 reflects improvement, with external factors largely responsible for delays. Priority-Based Budgeting ensures resources are allocated to high-priority services, with active involvement from officers and members. These arrangements support sustainable service delivery and effective scrutiny of discretionary spend.	G
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council ensures consistency between its financial and strategic plans through an integrated approach, with the MTFS aligned to the Capital, Asset Management, and People Strategies. Major capital investments are rigorously appraised and support corporate priorities, with quarterly monitoring reinforcing oversight. Treasury and outturn reporting confirm alignment across financial and operational planning. No significant service redesigns or inconsistencies with other public bodies have been identified. The arrangements are adequate.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	The Council has robust arrangements in place to identify and manage risks to financial resilience through its regularly updated Medium Term Financial Strategy (MTFS). Key risks such as funding reforms, inflation, and service demand are incorporated into both the MTFS and the corporate risk register, which is reviewed quarterly. Annual stress testing of financial assumptions and regular Cabinet reporting ensure that risks are monitored and addressed. These measures provide sufficient assurance that financial risks are being effectively managed.	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Area for Improvement identified: Medium Term Funding Gap

Key Finding: A medium-term funding gap has been identified, with a projected cumulative deficit of £3.6 million by 1 April 2028.

Evidence: This has been identified through review of the Council's Medium Term Financial Strategy.

Impact: We note that we have raised this issue in 2022/23, 2023/24 and 2024/25 and have considered whether sufficient action has been taken to address it.

On balance we have determined that this is not a significant weakness at this time due to the level of reserves available to manage the position (approximately £18m as at 31st March 2025).

However, this could be escalated if the Council does not take appropriate steps to place itself on a sustainable financial footing in the run up to LGR and is able to transfer an appropriate level of reserves to the successor council.

Improvement Recommendation 1

IR1: A medium-term funding gap has been identified, with a projected cumulative deficit of £3.6 million by 1 April 2028. The Council must take steps to strengthen its financial position and ensure an appropriate level of reserves is available for transfer to the successor authority ahead of Local Government Reorganisation (LGR).



Grant Thornton insight

Other Opportunities to Strengthen Financial Sustainability Governance:

- In 2024/25, capital spend was approximately 20% under budget, a significant portion of which relates to the 'Folkestone – A Brighter Future' project. The Council should monitor delivery more closely to identify potential slippage and take corrective action.
- The Council could enhance its financial reporting by incorporating a broader range of scenario analysis within documents provided to members. For instance, rather than relying solely on a mid-range assumption, the Medium Term Financial Strategy could illustrate the potential impact of varying council tax scenarios.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has comprehensive arrangements to monitor risk and ensure internal controls are effective, including fraud prevention. A new Risk Management Policy was adopted in April 2025, with regular reviews of risk registers and planned staff training, allowing a prior improvement recommendation to be closed. Internal Audit and Counter Fraud services are delivered by East Kent Audit Partnership, with strong oversight, transparent reporting, and a positive assurance opinion for 2024/25. Fraud prevention is supported by a formal framework, whistleblowing policy, and Monitoring Officer oversight, with no material incidents reported. These arrangements are sufficient.	G
approaches and carries out its annual budget setting process	The Council’s annual budget-setting process follows a structured, multi-stage framework that ensures alignment with strategic objectives and financial sustainability. Detailed estimates are developed with Service Managers and reviewed through officer scrutiny, committee engagement, and Cabinet approval. Budget guidelines issued in advance support consistency, and public consultation—though limited—adds transparency. The process incorporates financial trend analysis and is underpinned by the Medium Term Financial Plan. These arrangements are sufficient.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council has effective systems in place to ensure budgetary control and compliance with statutory financial reporting requirements. Quarterly monitoring reports provide detailed financial insights and are reviewed by scrutiny committees and Cabinet, supporting informed decision-making. Treasury management is governed by an approved strategy and regularly reported, while roles and responsibilities are clearly defined in the Council’s constitution. There are no concerns regarding finance team capacity or reporting accuracy, and statutory deadlines have been met. These arrangements are sufficient.	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>The Council has arrangements in place to support informed decision-making, with Cabinet meetings clearly structured and supported by detailed documentation and officer input. Scrutiny is embedded through dedicated committees that review reports and challenge assumptions prior to decisions being made. The Audit Committee also provides effective oversight, with members actively engaging and challenging officers and auditors.</p> <p>While governance is generally sound, an improvement recommendation has been raised regarding the shared waste contract with Dover, where Folkestone & Hythe lacks sufficient authority to ensure service standards, see page 21. Subject to this issue, the Council's arrangements are otherwise adequate.</p>	A
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	<p>The Council has arrangements in place to uphold standards across its operations, including compliance with legislation, staff and member conduct, and procurement. Behavioural standards are governed by the constitution and Code of Conduct, with clear policies on declarations and complaints, although the referral of five cases to the Ombudsman suggests complaint handling could be strengthened.</p> <p>Procurement practices have shown weaknesses in the waivers process and in contract management, prompting an improvement recommendation to ensure reforms are implemented, see page 22. Subject to this procurement-related issue, the Council's arrangements are generally adequate.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance (continued)

Area for Improvement identified: Governance arrangements for shared services

Key Finding: Governance arrangements for the shared waste management contract with Dover are insufficient to ensure Folkestone & Hythe District Council receives the desired level of service.

Evidence: The contract is managed by Dover on behalf of both councils, leaving Folkestone & Hythe reliant on Dover for decisions and oversight. Internal audit identified weaknesses, including Veolia self-assessing performance without detecting defects, ineffective application of penalty clauses, and limited inspections restricted to weekdays despite weekend service needs.

Impact: These issues create financial inefficiencies, reduce service quality, and limit Folkestone & Hythe's ability to address local priorities, undermining accountability and effective contract management.

Improvement Recommendation 2

IR2: We recommend that the shared governance arrangements covering the waste management contract are reviewed to identify governance improvements. The Council should also learn lessons and ensure that it has the ability to enforce service standards in shared contracts in the future.

Governance (continued)

Area for Improvement identified: Award of Contracts

Key Finding: The Council's procurement arrangements show weaknesses in the waivers process and contract management. Waivers are often driven by late engagement from budget managers and minimal justification, exposing the Council to contractual risk. Contract management suffers from an incomplete register, inconsistent compliance, and lack of systematic performance monitoring, compounded by limitations in the current finance system.

Evidence: Waivers were frequently required because contracts expired before new agreements were signed, leading to backdated agreements and reliance on goodwill. Officers sometimes failed to obtain three quotes due to time pressures, and strategic projects were prioritised without exploring alternative procurement routes. Contract management relies on manual processes with poor visibility and inconsistent reporting from service managers, and there is no centralised supplier performance monitoring. Both areas are expected to improve with the implementation of TechnologyOne and enhanced training.

Impact: These weaknesses increase the risk of non-compliance, financial exposure, and reputational damage. Limited oversight and inconsistent contract management hinder effective performance monitoring and strategic decision-making. Strengthening waiver controls, supplementing procurement resources, and completing the contract register review are essential to mitigate these risks and ensure robust procurement practices. Some of these weaknesses have been in place for a number of years and need to be urgently addressed.

Improvement Recommendation 3

IR3: We have identified issues with how contracts have been managed and with how the waivers process works. The proposed improvements in the waiver strategy report should be adhered to. Additionally, resource within the procurement team should be supplemented, and the (ongoing) review of the contract register should continue.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Folkestone & Hythe District Council uses integrated financial and performance reporting to assess effectiveness and identify areas for improvement. Quarterly reports, aligned with strategic objectives, are reviewed by senior leadership and committees, and include both financial and non-financial data. A Performance Management Framework and Data Quality Strategy support data reliability, and independent audits provide assurance on financial accuracy. The Council is implementing a new system (TechnologyOne) to enhance data integration, and current internal arrangements are considered sufficient. No additional risk-based procedures are required.	G
evaluates the services it provides to assess performance and identify areas for improvement	Folkestone & Hythe District Council evaluates its services and identifies areas for improvement through regular performance and complaints reporting. The Annual Complaints Report shows a significant reduction in complaints and includes self-assessments against ombudsman codes, with improvements endorsed by Cabinet and governance bodies. We are satisfied that the Council's arrangements are adequate.	G
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	Folkestone & Hythe District Council has structured arrangements to support its role in significant partnerships and engage stakeholders to assess progress against objectives. Overall, the arrangements are sufficient and no further risk-based procedures are required.	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	<p>Folkestone & Hythe District Council has arrangements in place to assess whether commissioned or procured services deliver expected benefits. Major projects like Otterpool Park are actively monitored through updated business plans and Cabinet oversight. However, governance issues have been identified in the shared waste contract with Dover (captured in governance section, see page 21).</p> <p>The Princes Parade project has been formally closed after the Council determined it could not meet planning consent requirements, resulting in a £3.4 million write-off. This financial impact will be covered by the Financial Stability Reserve, ensuring no broader destabilisation of the Council’s finances. We note the final decision to write off sunk costs for the abandoned Princes Parade project was supported by a sound rationale, however it is unfortunate that value for money for this investment was not achieved, and a review needs to take place so that lessons should be learned for future programmes. An improvement recommendation will therefore be raised, see page 25.</p>	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: Management of Capital Projects

Key Finding: The Princes Parade scheme is being formally closed after the Council determined it could not meet planning consent requirements. The project will not proceed, and approximately £3.4 million in sunk costs will be written off in the 2025/26 financial statements. While informal discussions occurred, there is no formal documentation of the decision, and an improvement recommendation is required to review the decision-making process.

Evidence: Consultation confirmed the scheme could not satisfy planning conditions, leading to its termination. The write-off will be funded from the Financial Stability Reserve, ensuring no wider financial instability. Discussions were held at informal Cabinet meetings and referenced during budget and reserve reviews, but no formal paper has yet been presented. Officers indicated further documentation may appear in capital programme reporting.

Impact: The write-off represents a significant financial loss and highlights weaknesses in project governance. Without lessons learned and improved oversight, similar failures could recur, increasing financial and reputational risk. A formal review of the decision-making process and strengthened controls for major projects are essential to prevent future write-offs.

Improvement Recommendation 4

IR4: We recommend that a lessons learned exercise on Princes Parade should be undertaken to try to distil learning points for future projects. These lessons should then be embedded and communicated to members and the public.

Grant Thornton insight

Benchmarking

:Consider making greater use of benchmarking to inform decision-making and improve performance comparisons. This could involve, where appropriate, accessing external resources. The aim is to leverage benchmarking as a tool for identifying best practices and opportunities for improvement

05 Summary of Value for Money Recommendations raised in 2024/25

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	A medium-term funding gap has been identified, with a projected cumulative deficit of £3.6 million by 1 April 2028. The Council must ensure an appropriate level of reserves is available for transfer to the successor authority ahead of Local Government Reorganisation (LGR).	Financial Sustainability (pages 16 – 18)	<p>Actions: The identified budget gap relates to the MTFS presented to Council in February 2025. A new MTFS forecast will be presented in February 2026. As at 1 April 2025, the Council holds £5.9m general fund general reserves and £15m earmarked reserves within the general fund. Earmarked reserves will be use appropriately for revenue and capital expenditure in accordance with the Council's financial procedure rules.</p> <p>Responsible Officer: Alan Mitchell (s151 Officer)</p> <p>Due Date: 01/04/2026</p>
IR2	We recommend that the shared governance arrangements covering the waste management contract are reviewed to identify governance improvements. The Council should also learn lessons and ensure that it has the ability to enforce service standards in shared contracts in the future.	Governance (pages 19 – 22)	<p>Actions: The Council will review the internal audit findings and implement appropriate governance controls, including those that relate to service levels.</p> <p>Responsible Officer: Andrew Rush</p> <p>Due Date: 01/07/2026</p>

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR3	<p>We have identified issues with how contracts have been managed and with how the waivers process works. The proposed improvements in the waiver strategy report should be adhered to. Additionally, resource within the procurement team should be supplemented, and the (ongoing) review of the contract register should continue.</p>	<p>Governance (pages 19 – 22)</p>	<p>Actions: Prior to commencement of the audit, the Council had already taken forward a new waiver strategy to Members of the Audit and Governance Committee (July 2025) to improve the handling of waivers.</p> <p>Furthermore, additional resource has already been brought in to conduct a review of the contracts register to ensure completeness ahead of the migration to the new financial management system due to go live in April 2026. It is expected that the new system will support revised Council wide processes and improve efficiency within Procurement, not available with the current system.</p> <p>The Financial Procedure Rules are due to be revised in 2026 which will further reduce the reliance on waivers, with appropriate revised limits reducing their volume.</p> <p>Responsible Officer: Jonathan Smith</p> <p>Due Date: 01/07/2026</p>
IR4	<p>We recommend that a lessons learned exercise on Princes Parade should be undertaken to try to distil learning points for future projects. These lessons should then be embedded and communicated to members.</p>	<p>Improvement economy, efficiency and effectiveness (pages 23 – 25)</p>	<p>Actions: The Princes Parade project was a strategic project that was led by a former administration. Officers acted properly in support of the previous administration's strategic projects which were curtailed due to macroeconomic conditions in 2022. Since this time, consideration has been given to the best use of the asset, culminating in a decision not to proceed in June 2025 by the new administration which was elected in May 2023. A lessons learned exercise will be conducted.</p> <p>Responsible Officer: Corporate Leadership Team</p> <p>Due Date: 01/07/2026</p>

06 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment


As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	Embed risk management throughout the organisation, beginning with consistent and regularly updated directorate and project risk registers, with a clear escalation route alongside appropriate mandatory training for all staff.	2023/24	The Council adopted its updated Risk Management Policy and Strategy on 2 April 2025. It presented updates to the Corporate Risk Register to key governance bodies in July and scheduled further updates for November and December. New service plan risk register templates were implemented in April and June, with risk management training planned for December as part of the management development programme.	Risk management now embedded throughout the organisation to an acceptable level.	Improvement recommendation closed – No further work required.
IR2	The Council should continue focus on strengthening the finance team and financial reporting processes, to ensure key finance staff do not become single points of failure.	2023/24	The finance team was reviewed in July 2025 by the new Director of Finance, focusing on resilience and reducing single points of failure. Following consultation, a new structure was implemented in October with an increase of two full-time roles, and recruitment is ongoing with the Chief Accountant	Lack of capacity within the finance team has not been noted by the 24/25 audit team.	Improvement recommendation closed – No further work required.
IR3	Financial and non-financial performance should be integrated in order to provide a comprehensive overview of Council performance. This can presentation of each report at the same meetings, or in the form of a combined report.	2023/24	Quarterly financial and performance reporting has been established through the Finance & Performance Scrutiny Sub-committee and Cabinet. Reports for Q1 and Q2 have been presented on scheduled dates, and the Corporate Plan 2025–30 includes actions to ensure timely reporting. Monthly directorate scorecards also track finance performance indicators.	Financial and non-financial performance is now integrated.	Improvement recommendation closed – No further work required.

Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	All officers should understand their responsibilities in procurement and contract management, and the Council must ensure a complete contract register and pipeline is in place. We recommend updated mandatory training for all officers on these areas.	2023/24	<p>Procurement team are currently performing a full review of the contract register and reconciling data to activities.</p> <p>The Council is due to implement a new finance system in April 2026. As part of this, all financial processes are being reviewed/revised to align to the new system, including contract management and procurement to ensure workflows are built into the system.</p> <p>Training will be provided to all staff on the new processes and system as part of this rollout.</p>	Improvements to contract management are ongoing. In the 24/25 audit we have also identified issues with the use of waivers.	Improvement recommendation closed – New improvement recommendation raised covering contract management and the waiver process (see page 21).
IR5	The Council should ensure they have effective complaints process in place including the provision of satisfactory remedies to reduce likelihood of referral to the Ombudsman. By addressing and resolving resident concerns in an effective manner this can help to build trust, enhance service delivery and demonstrate a commitment to responsiveness and improvement.	2023/24	The Customer Feedback and Complaints Policy was adopted by Full Council in April 2025, with annual reporting presented to Cabinet in September, including self-assessments and governance responses. Regular updates on complaint volumes and outcomes are reported to internal governance bodies and the Member Responsible for Complaints. Complaints performance indicators are also included in quarterly reports.	New policies are in place and there has been a significant reduction in complaint volumes compared to the previous year, with Stage 1 complaints falling by 43% and Ombudsman enquiries and investigations reducing by 50%.	Improvement recommendation closed – No further work required.

Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should consider plans for managing the MTFs funding gap that reduces reliance on the use of reserves, which should include plans for identifying and delivering further savings and efficiencies. There should be regular detailed ongoing monitoring of savings plans to highlight likelihood of delivering challenging savings targets. We recommend that quarterly budget monitoring reports contain detailed savings delivery updates.	2022/23	<p>Quarterly updates have continued to be provided to Cabinet throughout 2024-25. The Council introduced monthly management reporting for the Corporate Leadership Team in April 2024, which included savings targets (which are built into the revenue budget through the Priority Based Budget approach).</p> <p>However, there is still a gap over the medium-term and the Council has identified that reserves may be needed in future years.</p>	A medium-term funding gap has been identified with a cumulative deficit of £3.6m by 1st April 2028.	Improvement recommendation will be closed- However, a new recommendation will be raised with refreshed wording to reflect that the Council now has less time to close the gap prior to LGR. (see page 18).
IR2	The Capital Programme supports strategic priorities and should be categorised by Council Plan outcomes to show clear alignment. The Council must continue monitoring delivery closely to identify slippage and take corrective action.	2022/23	The new Corporate Plan was agreed by Council on 25 June 2025. Monitoring of the capital programme is now provided through quarterly monitoring reports to Cabinet.	The provisional capital outturn for 2024/25 was £13.576m, an underspend of £3.474m against the £17.050m budget.	Improvement recommendation downgraded to an ‘Insight’ (see page 18) – Slippage of only 20% marks an improvement on the previous year.

Appendix C: Follow up of 2023/24 and 2022/23 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR7	The Council should fully action recommendations set out by Internal Audit in its Contract Management follow up review, and that the action plan should have implementation timescales, and appropriate resources in place to manage these processes.	2022/23	A new finance system was scoped for procurement, with a selection process taking place at the end of 2024/25. A review of all financial processes is to be conducted as part of the new implementation.	Improvements to contract management are ongoing. In the 24/25 audit we have also identified issues with the use of waivers.	Improvement recommendation closed – New improvement recommendation raised covering contract management and the waiver process (see page 21).



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Folkestone & Hythe District Council

Annual Governance Statement

2024/25



ANNUAL GOVERNANCE STATEMENT

1. INTRODUCTION:

- 1.1 The Leader of the Council (Councillor Jim Martin) and Chief Executive (Dr Susan Priest) both recognise the importance of having excellent systems in place to manage the delivery of services to the residents of Folkestone & Hythe. Each year the Council is required to produce an Annual Governance Statement (AGS) which describes how its corporate governance arrangements have been working. This AGS is in respect of the 2024/25 financial year.

2. SCOPE OF RESPONSIBILITY

- 2.1 Folkestone and Hythe District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 2.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and the management of risk.
- 2.3 The Council has a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA / SOLACE framework “Delivering Good Governance in Local Government.” A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements under the Accounts and Audit Regulations 2015 (SI 2015/184).

3. THE PURPOSE OF THE GOVERNANCE FRAMEWORK:

- 3.1 The governance framework comprises the systems and processes, culture and values, by which the Council is directed and controlled. It also comprises the activities through which the Council accounts to, engages with and leads the community. The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- Identify and prioritise risks to the achievement of the Council’s aims and objectives.

- Evaluate the likelihood and impact of those risks.
- Manage those risks efficiently, effectively and economically.

The information provided in the governance framework includes matters to the year ending 31 March 2025, and up to the date of approval of the annual report and statement of accounts.

4. HOW WE APPLY THE GOVERNANCE FRAMEWORK TO THE LOCAL CODE OF CORPORATE GOVERNANCE

- 4.1 The Council aims to achieve effective corporate governance through the Local Code of Corporate Governance. The table below highlights examples of how the Council has adhered to its governance commitments as set out in the Code and includes hyperlinks to sources of further information which include more detail about how the Council has implemented its commitments:

Principle A. BEHAVING WITH INTEGRITY, DEMONSTRATING STRONG COMMITMENT TO ETHICAL VALUES AND RESPECTING THE RULE OF LAW	
How the Council meets these principles	Where you can see Governance in action:
<p>Code of Conduct: There are codes of conduct in place for all Councillors and Officers which can be found in Parts 9.1 and 8.3 of the Constitution.</p> <p>The Council has appointed independent persons to investigate any allegations of misconduct and the Audit and Governance Committee receives regular reports from the Monitoring Officer on any complaints regarding Councillors.</p> <p>Complaints of misconduct by an officer, will be directed to the employee's line manager or corporate director and will be dealt with in accordance with the Council's disciplinary procedures.</p>	<p>Code of Conduct for Councillors</p> <p>Code of conduct for officers</p> <p>Audit and Governance Committee Folkestone & Hythe District Council (moderngov.co.uk)</p>
<p>Constitution: Sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to citizens. Some of these processes are required by the law, while others are a matter for the Council to choose. The Constitution is divided into 15 articles, which set out the basic rules governing the Council's business.</p> <p>The Council's Constitution notably contains the standing orders, scheme of delegation, financial regulations and contracts procedure rules.</p>	<p>Council Constitution</p>

<p>Anti-Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing:</p> <p>The aim of this document is a policy statement of the Council’s strategy for combating and dealing with fraud and corruption both within and against the authority. As such, it provides an overview of the key principles to be observed by members and staff.</p> <p>The Anti-Fraud & Anti-Corruption Framework is divided into five smaller targeted documents, including the Anti-Fraud & Anti-Corruption Strategy, the Fraud Response Plan, the Whistle Blowing Protocol, the Anti-Money Laundering Policy and the Anti Bribery Policy.</p>	<p>Anti-Fraud and Corruption Framework</p>
<p>Council Employment Terms</p>	<p>All Council employees have clear conditions of employment as set out in their employment contract, and roles and responsibilities, including corporate responsibilities, are set out in job descriptions. Staff are required by their employment contract to comply with the Officer Code of Conduct. A variety of related employment policies and guidance notes are available to staff via the internal intranet and highlighted during their induction process. Staff are notified as updates are made.</p>
<p>Declaration of Disclosable Pecuniary Interests: A member must, before the end of 28 days beginning with the day he/she becomes a Member or Co-opted Member of the Authority, or before the end of 28 days beginning with the day on which this Code takes effect (whichever is the later), notify the Monitoring Officer of any Disclosable Pecuniary Interest (DPI).</p> <p>Councillors must also disclose interests which are not registered but which are relevant to matters to be discussed at a meeting of the authority. Councillors are barred from participating in any discussion on, or voting on, the matter in relation to which the Member has a disclosable pecuniary interest.</p> <p>There is an up-to-date register of gifts and hospitality, and an annual register of declarations. Members are required to update any change in their DPI to the Monitoring Officer. Any</p>	<p>Declarations of Interest</p>

declarations of interest made during meetings are recorded in the minutes.	
<p>Staff Declaration of interests</p> <p>Under the Officer Code of Conduct employees are required to declare, on the standard form, any:</p> <ul style="list-style-type: none"> • Pecuniary interest in a contract • Relationships with Council contractors • Financial or non-financial interests that may conflict with the Council's interests • Membership of closed organisations • Voluntary declarations, including connections that the Officer or their family or friends have with any potential third party, or any interests that the Officer or their family or friends have that could potentially create conflict of interest in the future. <p>Officers are also required to declare:</p> <ul style="list-style-type: none"> • Any additional employment • Voluntary work • Any gifts or hospitality offered or accepted. 	<p>All Council employees are required to complete a standard declaration form, even in cases where there is nothing to declare.</p> <p>In 2023/24 an exercise was undertaken to provide all Officers with specific training and ensure that all completed the standard form. A further training session was delivered in 2024/25 for staff that had joined since the 2023/24 sessions.</p> <p>All new Officers are required to read the Code of Conduct and complete a declaration form as part of their induction process, including in cases where there may be nothing to declare. The need to disclose additional employment or volunteering, and declare any gifts and hospitality offered or received, are also contained in the induction. Staff are subsequently required to review the Code of Conduct and their declarations as part of the appraisal process in Jan/Feb each year and then again as part of a specific annual process undertaken in August.</p> <p>All officers must also complete anti-bribery and corruption training (e-learning) as part of their induction process and then on an annual basis thereafter.</p>
Compliments & Complaints Procedure: The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.	Council's complaints procedure
Management Structure: The Council has established senior leadership team in place known as the Corporate Leadership Team (CLT) which is the main officer decision-making body and works with elected members, to provide strategic	Corporate Leadership Team

direction and run key Council services. CLT consists of the following positions:

- **Chief Executive**
- **Director of Strategy and Resources**
- **Director of Housing and Operations**
- **Director of Finance (Section 151 Officer)**
- **Interim Director of Governance and Finance (Fixed Term) until end of July 2025.**

A further 7 Chief Officers and 2 Heads of Service make up extended Senior management team that report into the following directors:

- **Director of Strategy and Resources:**
 - **Chief Officer – Planning & Building Control**
 - **Chief Officer – People & Customer Services**
 - **Head of Corporate Policy**
 - **Head of Legal Services**
- **Director of Housing and Operations:**
 - **Chief Officer – Housing**
 - **Chief Officer – Regulatory & Community Services**
 - **Chief Officer – Place & Growth**
 - **Chief Officer – Corporate Estates & Development**
- **Interim Director of Governance and Finance**
 - **Chief Officer – Financial Services (Vacant)**

The Council has the following statutory officer positions in place that are responsible for the following:

Head of Paid Service: This role resides with the Chief Executive and has a duty to monitor and review the operations of the Constitution to ensure its aims and principles are given full effect. The Authority keeps the appropriateness of the Constitution under review.

Chief Finance Officer (Section 151): The interim Director of Governance and Finance held the role of Chief Finance Officer during 2024/25 year, a fundamental building block of good corporate governance. The two critical aspects of the role are stewardship and probity in the use of resources; and performance, extracting the most value from the use of those resources. A new Director of Finance commenced employment with the Council on 17th March 2025 with statutory powers for the Section 151 officer being formally

[Organisation chart, covering staff in the top three levels of the organisation.](#)

<p>assigned to the new Director of Finance by Full Council on 2nd April 2025 (ref: A/24/24).</p> <p>Monitoring Officer: This position was held for the majority of the 2024-25 year by the Assistant Director for Governance, Law and Democracy. The Director for Strategy and Resources was appointed to the role by Full Council on 29th January 2025 (Ref: A/24/17). The role of Monitoring Officer and is responsible for:</p> <ul style="list-style-type: none"> • Maintaining and interpreting the Councils constitution, ensuring lawfulness and fairness of decision-making. • Providing advice to all Councillors and officers, on the scope of powers and authority to take decisions; maladministration; financial impropriety; probity; and Budget and Policy Framework issues. • Conducting investigations, or arrange for investigations to be conducted, into complaints concerning alleged breaches of the Councillor's Code of Conduct. 	
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Principle: B - ENSURING OPENNESS AND COMPREHENSIVE STAKEHOLDER ENGAGEMENT	
How the Council meets these principles	Where you can see Governance in action:
<p>Corporate Plan: The Council identifies and communicates its aims and ambitions for the district through its current Corporate Plan. The plan covers the period 2021 to 2030. The current Corporate Plan sets out the Council's vision for improving the lives for all those who live and work in the district.</p> <p>Following the local elections in May 2023, which brought about change in the Council's political control, the elected administration led by both the Green Party and the Liberal Democrats requested the current corporate plan be reviewed to reflect the priorities of the current administration. Work on shaping new the plan has continued throughout 2024/25 year through meetings of the Corporate Plan Working Group and a public consultation with residents and stakeholders on the draft priorities of the proposed plan taking place between July-September 2024.</p> <p>A final draft version of the new corporate plan (Our District, Our World) was considered by the Council's Cabinet at an</p>	<p>Corporate Plan 2021-30</p>

<p>extraordinary meeting held on 20th March 2025 (report ref: C/24/85) asking Cabinet to recommend to Full Council that it approves the draft Corporate Plan.</p> <p>The new corporate plan – ‘Our District, Our World’ is built around the five following themes:</p> <ul style="list-style-type: none"> • Leadership: A well-run, listening Council that works closely with its partners • Community: Improving people’s health, wellbeing and sense of community • Home: Building new homes, improving the quality of existing homes and tackling homelessness • Economy: Growing the economy in a sustainable way and creating opportunities for all • Nature: Enhancing our local environment and supporting climate action <p>Under each of the themes there are the Sustainable Development Goals developed by the United Nations. These 17 goals have been agreed by countries and organisations around the world to guide their work.</p> <p>A supporting action plan that will monitor the key strategic projects and deliverable actions planned for ‘year-one’ of the new Corporate Plan will be considered by Cabinet in July 2025.</p>	<p>Corporate Plan ‘Our District, Our World’ 2025-30 (Draft)</p>
<p>Freedom of Information and Transparency: The Council is committed to transparency and publicises information in line with the publication scheme under the Freedom of Information Act. In addition, we subscribe to the government’s transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500. Information published includes:</p> <ul style="list-style-type: none"> • Senior Staff Salaries • Organisational Structure Chart • Payment to suppliers (over the value £250) • Purchase Orders (£5,000 and over) • Pay Multiples - The ratio between the earnings of the highest paid employee and the median earnings figure of our employees. 	<p>Freedom of Information</p> <p>Council Transparency</p> <p>Council Publication Scheme</p>

<ul style="list-style-type: none"> • Grants to Voluntary, Community and Social Enterprise Organisations • Parking Accounts • Local Authority Land Assets • Fraud - Information relating to the work we do countering fraud • Trade Union Facility Time 	
<p>Council Committees and papers: The Council's democratic function is responsible for ensuring agendas and key decisions are published in line with the statutory legal requirements. They are also responsible for supporting the scrutiny function of the Council and publishing a corporate calendar of dates annually. Meetings are held face to face and are livestreamed for the public to view to support transparency in decision-making. Restricted papers are kept to a minimum and if necessary commercially sensitive data, or that with an exemption, is redacted.</p>	Committees and Papers
<p>Social Media: The Council has a Facebook page and X feed which is actively promoted and used. To promote transparency and wider engagement with Council decisions, residents can use social media such as Facebook, X, LinkedIn and Instagram to get updates from and interact with the Council.</p>	<p>Folkestone & Hythe District Council Folkestone Facebook</p> <p>https://x.com/fstonehythedc</p> <p>Folkestone & Hythe District Council LinkedIn</p> <p>Folkestone & Hythe DC (@folkestonehythedc) • Instagram</p>
<p>Council Website: The Council's website is set out in a clear and easily accessible way, using plain language. The information which residents use most, such as Council Tax and Waste and Recycling, can be accessed quickly and easily from the homepage.</p>	<p>www.folkestone-hythe.gov.uk</p>
<p>Statement of Accounts: The Statement of Accounts provides a clear summary of the Council's activity over the previous year, so that residents can see where money has been spent and what this has achieved.</p>	<p>Statement of accounts Folkestone & Hythe District Council (folkestone-hythe.gov.uk)</p>

Principle: C: DEFINING OUTCOMES IN TERMS OF SUSTAINABLE ECONOMIC, SOCIAL AND ENVIRONMENTAL BENEFITS

How the Council meets these principles

Corporate Plan: The Council identifies and communicates its aims and ambitions for the district through its current Corporate Plan. The plan covers the period 2021 to 2030. The current Corporate Plan sets out the Council’s vision for improving the lives for all those who live and work in the district.

Following the local elections in May 2023, which brought about change in the Council’s political control, the elected administration led by both the Green Party and the Liberal Democrats requested the current corporate plan be reviewed to reflect the priorities of the current administration. Work on shaping new the plan has continued throughout 2024/25 year through meetings of the Corporate Plan Working Group and a public consultation with residents and stakeholders on the draft priorities of the proposed plan taking place between July-September 2024.

A final draft version of the new corporate plan (Our District, Our World) was considered by the Council’s Cabinet at an extraordinary meeting held on 20th March 2025 (report ref: C/24/85) asking Cabinet to recommend to Full Council that it approves the draft Corporate Plan.

The new corporate plan – ‘Our District, Our World’ is built around the five following themes:

- Leadership: A well-run, listening Council that works closely with its partners
- Community: Improving people’s health, wellbeing and sense of community
- Home: Building new homes, improving the quality of existing homes and tackling homelessness
- Economy: Growing the economy in a sustainable way and creating opportunities for all
- Nature: Enhancing our local environment and supporting climate action

Where you can see Governance in action:

[Corporate Plan 2021-30](#)

[Corporate Plan ‘Our District, Our World’ 2025-30 \(Draft\)](#)

<p>Under each of the themes there are the Sustainable Development Goals developed by the United Nations. These 17 goals have been agreed by countries and organisations around the world to guide their work.</p> <p>A supporting action plan that will monitor the key strategic projects and deliverable actions planned for ‘year-one’ of the new Corporate Plan will be considered by Cabinet in July 2025.</p>	
<p>Digital Strategy: This strategy describes how the Council will operate and the contribution that ICT and Digital technology will make. There are three priority areas that will enable us to deliver the Strategy. These are: Digital Customer Service, Digital Workforce and Digital Place.</p> <p>In October 2024, the Council appointed Socitm to review their Digital & ICT needs across all directorates and assess if the current ICT & Digital service meets corporate requirements. Additionally, the review aimed to understand FHDC's digital maturity and how well digital technologies have been integrated into operations, services, and culture.</p> <p>Following this review a new Digital & ICT strategy is being produced which will also align with the new Customer Access Strategy. The new strategy will be ready in quarter 2 of 2025/26 year.</p>	<p>Digital Strategy</p>
<p>Council Budget: The Council takes an annual approach to strategic planning, business planning and budget setting, underpinned by a close link between business and financial planning. The Medium-Term Financial Strategy (MTFS) is reviewed annually and forms the basis of the annual budgeting process.</p>	<p>Medium Term Financial Strategy 2025-26-2028-29 (folkestone-hythe.gov.uk)</p> <p>Budget strategy Folkestone & Hythe District Council (folkestone-hythe.gov.uk)</p>
<p>Corporate Performance: Corporate Key Performance Indicators are monitored corporately and reported to the Corporate Leadership Team, Finance and Performance Sub Committee and Cabinet on a quarterly basis that support the Council’s corporate action plan.</p>	<p>Policies, plans and documents – Folkestone & Hythe District Council (folkestone-hythe.gov.uk)</p>

Principle: D - DETERMINING THE INTERVENTIONS NECESSARY TO OPTIMISE THE ACHIEVEMENT OF THE INTENDED OUTCOMES

How the Council meets these principles

Where you can see Governance in action:

Medium Term Financial Strategy: The Council has a Medium-Term Financial Strategy (available on the Council's website as part of the budget for the forthcoming year) which is used to align resources to key priorities.

[Medium Term Financial Strategy 2025-26-2028-29 \(folkestone-hythe.gov.uk\)](#)

Council Decisions: All decision-making meetings are held in public and decisions made by Cabinet members and Officers are published in line with the statutory legal requirements, although some items are considered as exempt. Minutes of all Council meetings are made available to the public, and members of the public have the opportunity to contribute to Council meetings.

[Decision making at Council meetings | Folkestone & Hythe District Council \(folkestone-hythe.gov.uk\)](#)
[Decisions for call-in | Folkestone & Hythe District Council \(moderngov.co.uk\)](#)

[Browse forward plans | Folkestone & Hythe District Council \(moderngov.co.uk\)](#)

Compliments & Complaints Procedure: The Council has a complaints and feedback system, which records and monitors customer comments, complaints and requests for information.

[Council's complaints procedure](#)

The Council's Customer Feedback and complaints policy was reviewed during the 2024/25 to ensure it align with the latest best practice from the Local Government and Social Care Ombudsman. The policy was approved by Full Council at their meeting on 2nd April 2025 (Report ref: A/24/28)

Internal Audit: The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the Councils of Canterbury, Dover, Folkestone and Thanet.

The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Interim Director – Governance and Finance. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee.

The internal audit function reports into the Audit and Governance Committee in the following ways by providing:

<ul style="list-style-type: none"> • A summary internal audit reports and the main issues arising, to provide assurance that action has been taken, where necessary. • Development of an internal audit strategy, plan and monitoring of audit performance. • Providing a Head of Internal Audit's annual report and opinion on the Council's corporate governance arrangements. 	
<p>Overview and Scrutiny Committee: The Overview & Scrutiny Committee has responsibility for the performance of overview and scrutiny functions under the Local Government Act 2000 Section 9F. The role of Overview & Scrutiny Committee is to hold Cabinet decision makers to account by monitoring and scrutinising the decisions being made, both before and after they take effect. Members of the Overview & Scrutiny Committee must not be members of the Cabinet and, where possible, should be from different political parties.</p> <p>The committee have an established forward work programme during the year that is approved on an annual basis for the new financial year. In early 2025, suggestions for Scrutiny topics were sought from various sources, with the criteria that only issues which affected residents across the whole district would be considered. suggestions are then circulated to Members of the committee, who were invited to score each item from 1-5 (5 highest, 1 lowest), based on each of the following criteria:</p> <ul style="list-style-type: none"> • High general public concern, • Critical to Council priorities and plans • High financial value, • Risks in successful deliver <p>The nine highest scoring items are then selected for the Scrutiny workplan. Nine items make up the main work programme, with an additional three in 'reserve' for the Committee.</p> <p>The work of the Overview and Scrutiny Committee is reported to Full Council on annual basis on the work that it has undertaken during each financial year.</p>	<p>Committee details - Overview and Scrutiny Committee Folkestone & Hythe District Council (modern.gov.co.uk)</p> <p>Overview and Scrutiny Work Programme 2025-26</p> <p>OSC Annual Report 2024-25</p>

Principle: E -DEVELOPING THE COUNCIL’S CAPACITY, INCLUDING THE CAPABILITY OF ITS LEADERSHIP AND THE INDIVIDUALS WITHIN IT

How the Council meets these principles	Where you can see Governance in action:
<p>Management Structure: The Council has established senior leadership team in place known as the Corporate Leadership Team (CLT) which is the main officer decision-making body and works with elected members, to provide strategic direction and run key Council services. CLT consists of the following positions:</p> <ul style="list-style-type: none"> • Chief Executive • Director of Strategy and Resources • Director of Housing and Operations • Interim Director of Governance and Finance (Fixed term until end of July 2025). • Director of Finance (Section 151 Officer) - Appointed from 17th March 2025 <p>A further 7 Chief Officers and 2 Heads of Service make up extended Senior management team that report into the following directors:</p> <ul style="list-style-type: none"> • Director of Strategy and Resources: <ul style="list-style-type: none"> ○ Chief Officer – Planning & Building Control ○ Chief Officer – People & Customer Services ○ Head of Corporate Policy ○ Head of Legal Services • Director of Housing and Operations: <ul style="list-style-type: none"> ○ Chief Officer – Housing ○ Chief Officer – Regulatory & Community Services ○ Chief Officer – Place & Growth ○ Chief Officer – Corporate Estates & Development • Interim Director of Governance and Finance (S151 Officer) <ul style="list-style-type: none"> ○ Chief Officer – Financial Services (Vacant) 	<p>Corporate Leadership Team</p> <p>Organisation chart, covering staff in the top three levels of the organisation.</p>
<p>Performance Management: The Council has a Performance Management Framework (PMF) in place to keep the Council on track and focused on delivery of its key priorities, by providing elected members, managers and staff with the information and tools they need to deliver high-quality and high-performing services which help to achieve good outcomes for residents. The framework will be reviewed in the 2025-26 year new to align with the new corporate plan.</p>	<p>Performance Management Framework</p>

<p>All new employees to the Council undertake a corporate induction session that covers topics including: how the Council works, corporate priorities, core values and competencies.</p> <p>All staff are required to regularly undertake mandatory e-learning training on: Anti bribery & corruption, Whistleblowing, Cybercrime, Emergency Planning, Equality & Diversity, Safeguarding, Environmental Awareness, Fire Awareness, GDPR, Manual Handling and Office Health & Safety.</p> <p>In September 2023, the Council implemented a new Performance and Development Policy that is designed to support individual performance in line with the Council's People Strategy and Behavioural Competency Framework. The policy ensures employees fully understand the Council's key strategic objectives and their own Service objectives, what drives these objectives and the contribution each member of staff makes to achieving them. The policy also provides a mechanism for developing all staff at every stage of their careers and help them realise their full potential.</p> <p>Under the policy, all employees have:</p> <ul style="list-style-type: none"> • An annual Performance and Development Review meeting (held in January/February of each year) • At least 3 further formal 1 to 1 meetings with their line manager in order to monitor and review the Performance and Development Plan. 	
<p>Code of Conduct for Councillors: There is a code of conduct in place for all Councillors which can be found in Part 9.1 of the Constitution.</p> <p>The Audit and Governance Committee receive a quarterly report on complaints received under the Members code of Conduct from the Monitoring officer setting out the number and nature of complaints received, and action taken, as a result, in consultation with the Independent Person on the committee.</p> <p><i>The link sets out the latest update (Quarter 3 of 2024/25 year) at the time of publication for AGS.</i></p> <p>The Council also responded during the year to the Government's consultation of Strengthening the Standards and Conduct Framework for Local Authorities and will review the Code of Conduct following any changes made to the framework.</p>	<p>Code of Conduct for Councillors</p> <p>Quarterly Code of Conduct Complaints Update Report</p>

<p>for review by the Overview & Scrutiny Committee. Decisions can also be made by Officers under delegated powers and reported to Councillors in line with the Council Constitution. Authority to make decisions is given in the Scheme of Delegation and by specific delegation by Cabinet or Council.</p>	
<p>Risk Management Policy: The Council's Risk Management Policy is designed to adopt best practice in the identification, evaluation, and cost-effective control of risks. The policy is reviewed on annual basis and was reviewed by Cabinet on 26th March 2025 and then approved by Full Council on 2nd April 2025.</p> <p>The Audit and Governance Committee is responsible for considering the effectiveness of the authority's risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified through the Council's Corporate Risk Register.</p> <p>The Corporate Risk Register is presented to the Audit and Governance Committee quarterly. In addition, the committee reviews the Council's Risk Policy and Strategy and Corporate Risk Register annually, ahead of these documents being presented to Cabinet and Council for adoption.</p>	<p>Risk Management Policy & Strategy</p>
<p>Procurement Framework: Procurement frameworks are in place for the purchase of goods and services and to ensure all contracts are appropriately procured and managed. Details on procurement are published on our website as well as data about the contracts that the Council has with external suppliers.</p>	<p>Procurement process Procurement and tendering information Folkestone & Hythe District Council (folkestone-hythe.gov.uk)</p>
<p>Corporate Governance Board:</p> <p>The Corporate Governance Board (CGB) is made up of Chief Officers and other heads of service who meet monthly to discuss emerging corporate risks and updates to risks already recorded on the Corporate Risk Register. The CGB Terms of Reference and meeting schedule is reviewed annually. The CGB main objectives are:</p> <ul style="list-style-type: none"> • To support and provide recommendations to CLT, and drive improvements to strategic planning, risk management, community, staff and stakeholder engagement and how we prioritise systems improvements, training and skills needs. • To improve the effectiveness of governance arrangements and compliance. 	

<ul style="list-style-type: none"> • To encourage improved decision making and use of resources, including financial management culture. • To act in an advisory manner, embedding a peer support and critical friend role/function. • Act as the Strategic Domestic Abuse Housing Alliance (DAHA) Board for the Council to ensure delivery of outcomes, receive quarterly updates on progress, identify risks, monitor budget and sign off on expenditure. 	

Principle: G - IMPLEMENTING GOOD PRACTICES IN TRANSPARENCY REPORTING AND AUDIT TO DELIVER EFFECTIVE ACCOUNTABILITY

How the Council meets these principles	Where you can see Governance in action:
<p>Data Protection: The Council complies with data protection legislation, which includes UK GDPR (UK General Data Protection Regulation) and the Data Protection Act 2018 (DPA 2018). This ensures that such processing is carried out fairly, lawfully, and transparently. The Council reviews and supplements its policies, and also keeps its processing activities under review, to ensure they remain consistent with the law, and any compliance advice and codes of practice issued from time to time by the Information Commissioner.</p>	<p>Data protection Folkestone & Hythe District Council (folkestone-hythe.gov.uk)</p>
<p>Transparency: The Council subscribes to the government's transparency agenda and publish information such as remuneration for senior management and information on items of expenditure over £500. Information published includes:</p> <ul style="list-style-type: none"> • Senior Staff Salaries • Organisational Structure Chart • Payment to suppliers (over the value £250) • Purchase Orders (£5,000 and over) • Pay Multiples - The ratio between the earnings of the highest paid employee and the median earnings figure of our employees. • Grants to Voluntary, Community and Social Enterprise Organisations • Parking Accounts • Local Authority Land Assets 	<p>Council transparency – Folkestone & Hythe District Council (folkestone-hythe.gov.uk)</p> <p>Council Publication Scheme</p>

<ul style="list-style-type: none"> • Fraud - Information relating to the work we do countering fraud • Trade Union Facility Time 	
<p>Statement of Accounts: The Council publishes the Statement of Accounts annually within the statutory timescales. Accounting statements incorporate the full requirements of best practice guidance.</p> <p>For 2024-25 year, the council published its accounts in line with statutory guidance on 30th June 2025.</p>	<p>Statement of accounts Folkestone & Hythe District Council (folkestone-hythe.gov.uk)</p>
<p>Audit and Governance Committee: The Council has an Audit and Governance Committee to provide assurance to the Council on the effectiveness of internal audit and the robustness of the Council's Annual Accounts. Risk management is controlled through the Corporate Governance Board and reported to the Corporate Leadership Team (CLT) through the quarterly reporting. Risks rated as above the risk threshold are reported as part of the quarterly performance report to Councillors at the Audit & Governance Committee.</p>	<p>Audit and Governance Committee Folkestone & Hythe District Council (moderngov.co.uk)</p>
<p>Full Council: Full Council is responsible for agreeing new policies and amendments to existing policies. It also sets out the policy and budget framework, and approves the annual budget.</p>	<p>Council Folkestone & Hythe District Council (moderngov.co.uk)</p>
<p>Internal Audit:</p> <p>The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the Councils of Canterbury, Dover, Folkestone and Thanet. As a result of this collaborative approach the partnership is able to provide a mechanism for promulgating best practice to the East Kent authorities that use its services.</p> <p>The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Interim Director – Finance and Governance. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee. Through their audit assurance work, internal audit provides an opinion on the effectiveness of the systems of internal control. As part of the annual review of governance arrangements and in particular the system of internal control, the Council undertakes an annual review of the effectiveness of the system of internal audit.</p> <p>The overall opinion of the System of Internal Controls in operation throughout 2024-25 based on the work of the East Kent Audit Partnership is presented in their annual report to the Audit & Governance Committee in July 2025.</p>	

5. Risk Management

- 5.1 The Council's Risk Management Policy and Strategy (Approved by Full Council on 02 April 2025 (Report ref: A/24/27) is reviewed on annual basis to reflect any changes in the Council's management of risk. The policy identifies key principles and responsibilities, and the strategy sets out the approach that has been adopted for identifying, evaluating, managing, and recording risks to which the Council is exposed.
- 5.2 In preparing the Council's Corporate Risk Register a detailed review of the risks is undertaken by Directors and Chief Officers, with consideration given to the emergence of potential new risks alongside those previously identified as part of the business planning process. This is a dynamic process with progress made against any required action in relation to the risks being reported to the Council's Corporate Leadership Team on a regular basis for review and action.
- 5.3 The Audit and Governance Committee is responsible for considering the effectiveness of the authority's risk management arrangements, and to seek assurance that action is being taken to mitigate those risks identified. The Corporate Risk Register is presented to the Audit and Governance Committee quarterly. In addition, the committee reviews the Council's Risk Policy and Strategy and Corporate Risk Register annually, ahead of these documents being presented to Cabinet and Council for adoption.
- 5.4 The continuation of the work of the Corporate Governance Board (CGB) since its creation in February 2024 has provided an additional function for internal scrutiny and review of risks, before these are presented to Committee. CGB is made up of Chief Officers and other key officers who meet monthly to discuss corporate issues, including emerging risks and updates to risks already recorded on the Corporate Risk Register.

The CGB Term of Reference, work-plan and schedule of meetings are reviewed annually. CGB's main objectives are:

- To support and provide recommendations to CLT, and drive improvements to strategic planning, risk management, community, staff and stakeholder engagement and how we prioritise systems improvements, training and skills needs.
- To improve the effectiveness of governance arrangements and compliance.
- To encourage improved decision making and use of resources, including financial management culture.
- To act in an advisory manner, embedding a peer support and critical friend role/function.
- Act as the Strategic Domestic Abuse Housing Alliance (DAHA) Board for the Council to ensure delivery of outcomes, receive quarterly updates on progress, identify risks, monitor budget and sign off on expenditure.

- 5.5 The diagram on the following page provides an overview of the governance and reporting arrangements in place for the Corporate Governance Board to ensure robust corporate Governance, culture of compliance, strengthening Resilience/Business Continuity and risk management remains at the forefront of the Council's operations:

Diagram 2: Reporting Arrangements for Corporate Governance Board



- 5.6 The Corporate risk register is intended to capture high-level risks reflected in the Council's Corporate Plan and Medium-Term Financial Strategy. A review of the risk management process (conducted in 2024-25) has allowed risk management to be aligned with the objective-setting and priorities emerging from the Council's new Corporate Plan, as well as the Medium-Term Financial Strategy (approved by Council on 26 February 2025).

6. Financial Management

- 6.1 Section 151 of the Local Government Act 1972 requires a Council to ensure that one of their officers has responsibility for the proper administration of its financial affairs. During 2024-25 this responsibility was held by the Interim Director Finance and Governance, Directors, Chief Officers and Service

Managers are responsible for the financial management of their service areas within the Council, which includes accurate forecasting and the effective monitoring of financial performance against budget considered throughout the year. A new Director of Finance commenced employment with the Council on 17th March 2025 with statutory powers for the Section 151 officer being formally assigned to the new Director of Finance by Full Council on 2nd April 2025 (ref: A/24/24).

- 6.2 The Council's financial management arrangements conform to the governance requirements of CIPFA's Statement on the Role of the Chief Financial Officer in Local Government as set out in '*Delivering Good Governance in Local Government*'.
- 6.3 The Medium-Term Financial Strategy (MTFS) is the Council's key financial planning document which puts the financial perspective on the Council's Corporate Plan priorities. The MTFS was updated and approved by Council in February 2025 and expresses the aims and objectives of various plans and strategies in financial terms over a four-year period ending 31st March 2029. The MTFS is a key element of sound corporate governance and financial management which is reviewed and agreed by Members on a regular basis.
- 6.4 In addition, the Cabinet endorsed the Treasury Management monitoring reports during the year. A Treasury Management monitoring report provides updates on the Council's treasury management activities that had taken place during the year against the agreed strategy and an update on the treasury management indicators. An annual report is also produced; Cabinet approved the annual report for 2023/24 on 25 September 2024 (report C/24/29). A report covering the 2024/25 financial year will be brought in the Autumn of 2025.
- 6.5 Full Council consider annually the Investment Strategy and Capital Strategy by 31 March for the financial year ahead. These strategies consider the Council's service and commercial investments and capital expenditure, financing & treasury management, as well as Prudential Indicators. Full Council adopted the relevant strategies for 2024/25 on 28 February 2024 (report references: A/23/24).
- 6.6 Regular budget monitoring took place in 2024/25 in order to manage the Council's net revenue budget. Regular meetings were held between officers and the Cabinet Portfolio Holders to discuss any specific budget issues and budget monitoring reports were presented to the Finance & Performance Sub Committee and Cabinet on a quarterly basis. It was appropriate to continue to have an additional focus on the Council's revenue budget monitoring during 2024/25 due to the continued cost of living impacts on residents as well as inflationary pressures on Council finances.

- 6.7 The level of reserve balances is reviewed annually in line with the budget setting process and is reported to Finance & Performance Sub Committee and Cabinet as part of the quarterly budget monitoring reports.
- 6.8 The adequacy of the reserve levels takes into account the Council's exposure to risk, the systems of internal control, the robustness of the estimates, adequacy of financial management arrangements, the Council's track record on budget monitoring, the strength of financial reporting, capacity to manage in year budget pressures and cash flow requirements to determine appropriate levels for the reserves.
- 6.9 The requirement for financial reserves is acknowledged in statute (Local Government Finance Act 1992). The level of working balances and reserves held by a Council is not prescribed. The minimum prudent level of reserves that the Council should maintain is a matter of judgment. The current approach of the Council reflects the guidance issued within LAAP Bulletin 99. This sets out that reserves should be held for three main purposes:
- a working balance to help cushion the impact of uneven cash flows and avoid the need for temporary borrowing;
 - a contingency to cushion the impact of unexpected events or emergencies;
 - earmarked reserves to meet known or predicted requirements.
- 6.10 The monitoring and control systems in place are robust and identify at an early stage any significant variations within the Council's activities. The level of reserves currently held has been endorsed and reported by the S151 Officer as adequate and in line with the Council's Reserves Policy.

7. Procurement and Contract Management:

- 7.1 Part 10 of the Council's Constitution sets out the rules our officers must follow when purchasing goods, services and/or works. The Procurement and Contracts Management Team continues to operate in accordance with Part 10 of the Council's Constitution.

Throughout the 2024/25 financial year, the Procurement and Contracts Management Team has reviewed the CSOs (and its activities) to ensure that they aligned with the new legislative requirements introduced by the Procurement Act 2023. Updates have been embedded to reflect key principles of the Act, including value for money, integrity, transparency, and delivering public good.

- Delivered the Procurement Act training to all FHDC staff, focusing on compliance with procurement legislation, ethical practices, contract management principles, and accountability..
- Regular training for procurement teams for continuous up skilling and implementation of best practices, and particularly focus on the Procurement Act 2023 and best practices.
- Regular collaboration meetings with service areas across the Council to ensure contracts are in place, reviewed, and managed effectively.
- Greater use of the Salesforce Platform to allow departments to upload contracts over £5,000, which will enable procurement to publish the contract on the Contract Register to enhance visibility and compliance.
- Improved notifications for keeping departments informed of when contracts are due to expire to be able to plan for the next procurement.
- Improved support and guidance for new procurements and ongoing support post procurement through meetings to help departments manage contracts and any extensions and variations.
- Regular reviews of procurement and contract management processes to identify improvements and ensure compliance with the Procurement Act 2023 and contract standing orders (CSOs).
- Local Business Support – working on tailoring procurement activities to favour local businesses, simplifying tender processes, and providing clear guidance.
- Social Values and CO2 Requirements - In line with the Procurement Act 2023, the Council continues to embed social value and sustainability into procurement processes. Tenders now include clear criteria for social impact and CO2 reduction, supporting objectives around public good, Net Zero, and local economic growth.

8. Internal and External Audit

Internal Audit:

- 8.1 The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the Councils of Canterbury, Dover, Folkestone and Thanet. As a result of this collaborative approach the partnership is able to provide a mechanism for promulgating best practice to the East Kent authorities that use its services. The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Interim Director – Finance and Governance. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee. Through their audit assurance work, internal audit provides an opinion on the effectiveness of the systems of internal control. As part of the annual review of governance arrangements and in particular the system of internal control, the Council undertakes an annual review of the effectiveness of the system of internal audit.

8.2 Internal Audit has responsibility to:

- Report on the level of assurance in respect of the Council's internal control systems; and
- Provide an overall independent annual Opinion from the Head of the Audit Partnership highlighting areas of concern. This is compiled from the Internal Audit work programme and a review of the Council's risk management and Corporate Governance arrangements.

8.3 The overall opinion of the System of Internal Controls in operation throughout 2024-25 based on the work of the East Kent Audit Partnership is presented in their annual report to the Audit & Governance Committee in July 2025; EKAP assessed the overall system of internal control in operation throughout 2024-25 as providing reasonable assurance. Further:

- The internal auditors are independent to the management of the Council and have direct access to the Chair of the Audit and Governance if required. They provide a regular update to the Committee at each of the quarterly meetings and may attend any special meetings that may be convened during the year.
- As at 31 March 2025 the Internal Auditors completed 347.89 days of review equating to 99.40% of planned completion.
- The EKAP undertakes a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report 2024-25.
- In March 2024 an External Quality Assessment (EQA) considered the level of compliance demonstrated by the EKAP with the Public Sector Internal Audit Standards (PSIAS). The results of this assessment showed that internal audit is at the highest level of compliance; assessed as "Generally Conforms" the full EQA report was reported to the July 2024 Audit & Governance Committee. In preparation for new Global Internal Audit Standards which come into effect from 1st April 2025, the EKAP was also provided with an action plan. The next EQA of the EKAP is due in 5 years, by which time the new internal audit standards will have become fully established.
- As part of EKAP's quality monitoring arrangements Members should be aware that following the completion of each audit, a satisfaction questionnaire is completed by the managers of the service that has been audited enabling the officers involved to comment on the conduct and outcome of the audit. This information is used, in part, to inform the self-assessment and continuous improvement.
- Of the 32 pieces of completed work for the Council during the 2024/25 financial year, only 3 reports received limited assurance (the remainder being

‘substantial’ [17], ‘reasonable’ [11], ‘N/A’ [1]). Those related to i) Hythe Pool, ii) Risk Management and iii) Equality and Diversity. The details can be found in the EKAP report presented to the Audit and Governance Committee in July 2025.

External Audit:

- 8.4 The external audit work of the Council is undertaken by Grant Thornton UK LLP. The main duties are governed by section 15 of the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4.
- 8.5 Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered both by Cabinet and the Audit and Governance Committee.
- 8.6 The Council has concluded its 2022/23 and 2023/24 accounts and final audit process. This culminated in the final external audit opinion being presented to the Council’s Audit and Governance Committee at their meeting in December 2024; the Council received an unqualified audit opinion for 2022/23. Due to the delay in completion of the 2022/23 accounts, the 2023/24 accounts followed shortly thereafter in February 2025, with the Council again receiving an unqualified audit opinion. The completion of these two external audits before the statutory backstop deadlines set by Central Government ensured that the Council is fully up to date on its statutory accounts. The latest auditor annual report (‘AAR’) for the year ended 31 March 2024 containing the value for money (‘VfM’) opinion, was also taken to the Audit and Governance Committee on 25 February 2025; the external auditors did not identify any significant weaknesses in arrangements to ensure the Council manages improving economy, efficiency and effectiveness. A number of improvement recommendations were however raised and accepted.
- 8.7 The Council is associated with a number of outside bodies including – Otterpool Park LLP, Oportunitas Ltd and the East Kent Spatial Development Company that are subject to independent audits alongside having their internal audit approach shared with the Council.

9. Counter Fraud Arrangements

- 9.1 The Council is firmly opposed to any form of fraud and corruption and will take prompt and decisive action to deal equally with perpetrators from inside and outside the Council. To ensure the highest standards of conduct are upheld, the Council has an established Anti-Fraud and Anti-Corruption Framework in place that is designed to:

- encourage fraud deterrence and prevention;
- raise awareness of fraud and corruption and promote their detection;
- perform investigations and facilitate recovery in a prompt, thorough and professional manner; and
- invoke disciplinary proceedings and further action as appropriate.

The Anti-Fraud & Anti-Corruption Framework is formed of five documents, including the Anti-Fraud & Anti-Corruption Strategy, the Fraud Response Plan, the Whistle Blowing Protocol, the Anti-Money Laundering Policy and the Anti Bribery Policy. This framework was reviewed and updated by the S151 Officer and Monitoring Officer in 2023/24. Furthermore, there was comprehensive training on Anti-Fraud and Corruption provided to all staff on 11 January 2024. In light of additional legal provisions coming into effect on 1 September 2025, namely the 'failure to prevent fraud' under the Economic Crime and Corporate Transparency Act 2023, a further review of the training and guidance took place in 2025/26, with formal training rolled out to all staff in summer 2025 via e-learning modules.

- 9.2 The responsibility for the prevention of fraud and corruption lies with management who ensure that adequate controls, including policies and procedures, are in place to prevent and detect fraud and corruption. The Council has developed systems and procedures that incorporate effective and efficient internal controls, and management ensure that controls minimise risk to an appropriate level. Controls are regularly reviewed to ensure they remain appropriate and effective. The internal and external auditors independently monitor the existence, effectiveness and appropriateness of these controls.
- 9.3 The Chief Finance Officer (Section 151 Officer) is responsible for the proper administration of the authority's financial affairs. Under Section 114 of the Local Government Finance Act 1988, the Chief Finance Officer is required to report to the full Council, Cabinet and the external auditor if the Council or one of its officers:
- has made, or about to make, a decision which involves incurring unlawful expenditure;
 - has taken, or about to take, an unlawful action which has resulted or would result in a loss or deficiency to the authority; and
 - is about to make an unlawful entry in the authority's accounts.
- 9.4 The Director for Strategy and Resources is the 'Monitoring Officer' for the Council. Under 5(2) of the Local Government and Housing Act 1989, the Monitoring Officer is required to report to Cabinet and Council where it appears to him/her that the Cabinet or Council and/or officers appointed by them:
- has made or is about to make a decision which contravenes any enactment,

or rule of law; and

- has made or is about to make a decision that would give rise to maladministration or injustice as referred to in Part III of the Local Government Act 1974.

9.5 An annual Investigations and Fraud Overview for 2023/24 was brought to Cabinet on 25 September 2024 (report: C/24/23). This report gave an overview of the work of the Folkestone & Hythe District Council (FHDC) Investigations unit for the year 2023/24, covering Housing Benefit, Council Tax, Non-Domestic Rates and Housing.

10. CYBER SECURITY

- 10.1 The Council has in place robust measures to strengthen internal levels of protection which include an advanced anti-virus protection using MS Defender which includes advanced detection and attack surface reduction features. There are multiple layers of automated email filtering along with a human manual intervention when required. If there is still ambiguity with the authenticity of an email we are able to submit this to Microsoft for their specialist analysis. Web filtering is provided by a next generation application filtering firewall. Data from this firewall is sent in real time to a SIEM solution (Microsoft Sentinel) which then analysis all activity against a threat database.
- 10.2 In terms of other defences against cyber threats, the Council receives a good level of protection from the Kent Public Services Network (KPSN). The KPSN provide the network and varying degrees of security solutions such as email filtering to a number of partners including Local Government, Kent Police, Fire and Rescue and NHS. This service is backed up by a major ICT supplier, currently Capita.
- 10.3 The Council is currently in contract with “CSA limited” who provide a Security Operations Centre (SOC) 24 hours day x 7 days x 365 days per year. The SOC provide an effective cyber security defence with robust monitoring and detection services in place, constantly looking out for security threats in network traffic. Monitoring and detection is a proactive and advanced approach to cyber security that not only detects suspicious activity, but actively hunts down threats, monitors cyber security 24/7, assists in rapid breach incident analysis and responds to eliminate threats from the system before they become an issue.
- 10.4 There are two forms of immutable storage which ensures robust protection against unauthorised changes, accidental deletions, and cyber threats such as ransomware attacks. This dual approach not only bolsters cybersecurity by preventing data tampering but also ensures compliance with regulatory

requirements by maintaining unaltered records and provides a reliable method for disaster recovery.

11. Council Governance Structure

- 11.1 The current political administration elected in May 2023 agreed to change the Council's governance structure from a leader and cabinet decision process to a committee system. The change of governance planned for May 2024 was deferred at the January 2024 Full Council meeting for implementation in May 2025 to allow Councillors more time to be familiar with, and understand the changes involved in the move to a committee system of governance.
- 11.2 In 2024/25, members of the Constitution Working Group comprised of all political group leaders on the Council continued to meet with legal experts Bevan Britten and Council officers to develop and agree the steps to be taken prior to the change to a committee system planned for May 2025.
- 11.3 On 16 December 2024, the Government published a White Paper setting out proposals for devolution and local government reorganisation. On 10 January 2025 Kent County Council and Medway Council responded to MHCLG's correspondence indicating their desire to be identified as a priority devolution area.
- 11.4 In light of the Government's White Paper, a motion was passed at the January 2025 meeting of Full Council for the Council to write to the Secretary of State for Housing, Communities and Local Government to request retaining the Council's existing leader and cabinet structure of governance. A response to the Council's letter to the Secretary of State was received on 2 April 2025 from Jim McMahon MP, Minister of State for Local Government and English Devolution, consenting to the Council retaining its leader and cabinet model noting that in the context of impending local government reorganisation, the current governance model will provide continuity in decision-making arrangements throughout the period leading to transition to a unitary authority.
- 11.5 A further vote took place at a Full Council meeting on 7th May 2025 to ratify the January 2025 Council decision.

12. REVIEW OF EFFECTIVENESS

- 12.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the following areas:

Area	Review of effectiveness
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Political leadership	<ul style="list-style-type: none"> During the year the Overview & Scrutiny Committee considered numerous items, including: Levelling Up Fund Delivery, Otterpool Park: Strategic Direction, Funding and Delivery (subsidiary), Draft District-Wide Carbon Plan, Housing Revenue Account (HRA) Business Plan 2023-2053, Budget Update 2024/25, Community Infrastructure Levy (CIL) and Refresh of the Council's Children, Young People and Vulnerable Adults Safeguarding Policy. <p>The Finance and Performance Subcommittee considered the following items during the year including:</p> <ul style="list-style-type: none"> 2023-24 Annual Performance Report and draft KPIs 2024-25, Quarterly Corporate Performance Reports 2024-25 General Fund, Housing Revenue and Capital provisional outturns 2023/24 Quarterly Budget Monitoring reports 2024-25 Budget Strategy 2025-26 and Fees and Charges 2025/26 <p>The Audit and Governance Committee considered the following items during the year including:</p> <ul style="list-style-type: none"> Statement of Accounts 2022/23 - Audit Findings 2023/24 Statement of Accounts / External Audit Plan Regular detailed updates from the East Kent Audit Partnership (EKAP), the Council's internal auditors Quarterly code of conduct complaints reports Annual Governance Statement Corporate Risk Register update Internal Audit Annual Report 2023-24 Health and Safety Annual Report Health and Safety half-year updated 2024-25 Procurement - Council Contracts Variation Update Extension of term of office of Independent Member of the Audit and Governance Committee Risk Management Policy and Strategy 2025-26
Officer leadership	<ul style="list-style-type: none"> New organisational structures were consulted and approved during the year ahead of the start of 2024/25 year as part of a Council wide transformation programme to improve resilience, accountability, spans of control and use of ICT in how the Council delivers its services for residents. Quarterly updates on the Council's performance against Corporate Key Performance Indicators (CKPIs) provided to the Finance & Performance Sub Committee and Cabinet.

	<ul style="list-style-type: none"> Quarterly updates of the Council's corporate risk register to the Audit and Governance Committee. An annual self-assessment and management assurance statement signed by Directors and senior managers, confirming that the Code of Conduct, Financial Regulations and other corporate governance processes have operated as intended within their directorates throughout the year.
Internal assessment and monitoring	<p>There are regular reporting arrangements in place regarding the financial affairs of the Council with financial performance being reported on a quarterly basis to Members of the Finance & Performance Sub Committee, Cabinet and Full Council.</p> <p>Updates to the Council's corporate risk register are reported quarterly to members of the Audit and Governance Committee.</p> <p>Quarterly Performance against Corporate Key Performance Indicators (CKPIs) that linked to the Council's corporate plan are reported to members of the Finance & Performance Sub Committee and Cabinet.</p>
Chief Finance Officer (s151)	<p>The Chief Finance Officer (S151) is the Responsible Financial Officer and is a member of the corporate Leadership Team (CLT). They are responsible for delivering and overseeing the financial management arrangements of the Council.</p> <p>The main channels used by the s151, to ensure and assure effectiveness over 2024/25 were:</p> <ul style="list-style-type: none"> Continuation of budget Star Chambers and ongoing development of a more informative and timely monitoring process including more regular reporting to the Corporate Leadership Team Procurement of a new finance system for implementation during 2026/27 Full comprehensive and review of the MTFP for 2025-26 ensure more robust assumptions are in place Establishment of the Corporate Governance Board Annual Internal Audit Programme Regular meetings with Internal and External Audit
Director of Strategy and Resources (Monitoring Officer)	<p>The Director of Strategy and Resources currently holds the position of Monitoring Officer and is member of the Council's Corporate Leadership Team (CLT) whose role in the organisation is to report on matters they believe to be illegal or amount to maladministration, to be responsible for matters relating to the conduct of Councillors and</p>

	<p>officers and to be responsible for the operation of the Council's constitution.</p> <p>The main channels used by the Monitoring Officer, to ensure and assure effectiveness over 2024/25 were:</p> <ul style="list-style-type: none"> • Work on the Change of Governance project and work closely with the working group members and all Members as part of the process/decision making for the proposed change of governance. • Review the effectiveness of decision making within the Council and help provide advice to Members and Councillors on decision making process and governance • Ensure that the Overview and Scrutiny function is performing well and in accordance with the provisions in the constitution • Keep under continuous review the Constitution so that it meets the requirements of the Council and Council decision making
Senior Information Risk Owner (SIRO)	<p>The Senior Information Risk Officer for the Authority is the Director of Strategy and Resources. This role is supported by deputies, nominated from time to time. The role of the SIRO includes the following:</p> <ul style="list-style-type: none"> • Lead and foster a culture that values and protects information, and ensures its use for public good. • Ensure there is a plan to achieve and monitor the right culture across the organisation. Takes step to ensure that plan is delivered. • Ensures that the organisation has key staff in place, who are skilled and supported. • Oversees effective responses to security incidents. • Own the information risk policy and risk assessment process, ensuring regular update and review of the risk register. <p>The main channels used by the SIRO, to ensure and assure effectiveness over 2024-25, were:</p> <ul style="list-style-type: none"> • Completion of relevant, mandatory training by all staff • Close working with key roles such as the Data Protection Officer, Information Governance Team, and IT manager to strengthen the work in this area • Engaging the Corporate Governance Board to ensure that corporate and individual responsibilities are clearly understood and cascaded to all staff. • Ensuring annual returns are completed (e.g. RIPA)

	<ul style="list-style-type: none"> • Deploying additional resources to bolster the Information Governance Team and drive improvements in performance.
Internal audit	<ul style="list-style-type: none"> • The internal audit function for the Council is performed by the East Kent Audit Partnership (EKAP), which provides internal audit services to the Councils of Canterbury, Dover, Folkestone and Thanet. • The East Kent Audit Partnership Internal Audit Team reports to the S151 Officer, the Interim Director – Finance and Governance. They operate under a Charter, which defines their relationship with officers, and the Audit and Governance Committee. • The overall opinion of the System of Internal Controls in operation throughout 2024-25 based on the work of the East Kent Audit Partnership is presented in their annual report to the Audit & Governance Committee in July 2025: <ul style="list-style-type: none"> ○ The internal auditors are independent to the management of the Council and have direct access to the Chair of the Audit and Governance if required. They provide a regular update to the Committee at each of the quarterly meetings and may attend any special meetings that may be convened during the year. ○ As at 31 March 2025 the Internal Auditors completed 347.89 days of review equating to 99.40% of planned completion. ○ The EKAP undertakes a regular schedule of follow up audits to ensure that management have implemented the action plans arising from each audit. Members can see full details within the Internal Audit Annual Report 2024-25. • In March 2024 an External Quality Assessment (EQA) considered the level of compliance demonstrated by the EKAP with the Public Sector Internal Audit Standards (PSIAS). The results of this assessment showed that internal audit is at the highest level of compliance; assessed as “Generally Conforms” the full EQA report was reported to the July 2024 Audit & Governance Committee. In preparation for new Global Internal Audit Standards which come into effect from 1st April 2025, the EKAP was also provided with an action plan. The next EQA of the EKAP is due in 5 years, by which time the new internal audit standards will have become fully established.
External audit	<ul style="list-style-type: none"> • The external audit work of the Council is undertaken by Grant Thornton UK LLP. The main duties are governed by section 15 of

	<p>the Local Government Finance Act 1982, and the Local Audit and Accountability Act 2015 section 4.</p> <ul style="list-style-type: none"> Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. This is considered both by Cabinet and the Audit and Governance Committee.
Group arrangements	<p>Cabinet is charged with monitoring performance of the subsidiaries to the Council. These include Otterpool Park LLP and Oportunitas Limited. In addition, the Council has approx. 16% shareholder interest in East Kent Spatial Development Company (EKSDC), with the joint-owners being other East Kent authorities, KCC and the University of Kent. Council Members are variously board members/directors for the subsidiaries. During the year, Cabinet considered the following items so as to apprise itself of the performance and delivery of the Council's subsidiary entities:</p> <ul style="list-style-type: none"> Otterpool Park: Strategic Direction, Funding and Delivery Otterpool Park: Local Partnership's review of governance Oportunitas Ltd Quarterly performance reports from the Board of Oportunitas. Updates to the Oportunitas Ltd business plan. Annual EKSDC report to Cabinet. <p>In additional the Shareholders of OP have regular formal meetings with the agenda and minutes available on the Council's website, and the Council's shared internal audit function (East Kent Audit Partnership (EKAP)) review relevant matters and governance at subsidiaries as needed on a rolling basis.</p>
Outside Bodies	<p>The Council undertook a review of it's Outside Bodies in 2024/25, carried out by the Constitution Working Group, leading to a number of recommendations to improve and streamline the existing process. The review recommended and implemented a clear criteria to determine those Outside Bodies to be retained, formally removed, and to use the criteria to determine any new OB requests, including a clear remit, function of the OB and role of the member, link to the Corporate Plan and adequate capacity. The review streamlined the existing number of Outside Bodies and also made recommendations to formalise feedback, support, insurance/indemnity, and training.</p> <p>In depth training was subsequently delivered to members by Governance Training and Consultancy Ltd covering members roles, responsibilities, types of outside bodies, risks and opportunities, protection, effectiveness and lawfulness. The Council was commended on the review it had undertaken, which is to be cited as best practice, and the effectiveness of streamlining the process.</p>

13. CONCLUSION

- 13.1 In line with the Council's responsibilities for its internal control and overall governance environment (paragraph 1.1), the conclusion to the annual review process for the year ended 31 March 2025 and up to the date of approval of the Statement of Accounts is that the arrangements in place are considered to be fit for purpose and in accordance with the Council's governance framework, with no significant areas of the framework requiring attention.
- 13.2 Set out in Appendix 1 is the current action plan outlining the steps the Council proposes to take over the coming year to further enhance our governance arrangements. This action plan will be kept under review through the year and updated as appropriate.
- 13.3 The findings of the annual review of the governance framework were be reported to Members of the Audit and Governance Committee on 31st July 2025.

Signed:

Signed:

Cllr Tim Prater

Dr Susan Priest

Deputy Leader of the Council and

Chief Executive

Cabinet Member for Finance and

Governance

Date:

APPENDIX 1: Action plan for improvement following review of effectiveness of governance arrangements (2025-26)

	Action	Who	Date
1	<p>Annual Review of Corporate Governance:</p> <p>At the end of the year, the Council will produce its statement on governance, which includes end of year assurance statements by Directors, Chief Officers and internal audit's opinion report.</p>	Monitoring Officer	May 2026
2	<p>Governance Arrangements:</p> <p>To keep under review the Council's governance arrangements alongside the broader governance changes emerging from the Local Government Reorganisation (LGR) and Devolution process with both Cllrs and Officers.</p>	Monitoring Officer	March 2026
3	<p>Data Retention Policy and General Data Protection Regulation:</p> <p>To keep under review, the Data retention policy and the General Data Protection Regulation requirements, ensuring Officers and Members of the Council are aware of their responsibilities. Complete all agreed actions arising from the GDPR audit.</p>	Senior Information and Risk Officer (SIRO)	March 2026 (and Ongoing)

4	Review of the Council's Performance Management Framework (PMF): Review of the framework to ensure it aligns to revised performance management processes and the priorities of the new corporate plan once adopted by members.	Senior Performance Officer Governance, Performance and Risk Manager	September 2025
5	Develop Corporate Policy function: Review the Council's compliance with the Corporate Policy framework as outlined in the constitution part 4.1 (1.1)	Head of Corporate Policy	March 2026
6	Mandatory staff training: Maintain mandatory staff training programme to ensure understanding of corporate expectations and compliance, roll out to new employees.	Chief HR Officer	March 2026 (and ongoing)

Independent auditor's report to the Members of Folkestone & Hythe District Council

In our auditor's report issued on 26 February 2025, we explained that we could not formally conclude the audit and issue an audit certificate for Folkestone & Hythe District Council (the 'Authority') and its subsidiaries (the 'Group') for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice, until we had:

- Completed the work necessary in relation to the Authority's consolidation returns and received confirmation from the National Audit Office (NAO) the audit of the Whole of Government Accounts (WGA) is complete for the year ended 31 March 2024. The NAO has now concluded their work in respect of WGA for the year ended 31 March 2025 and confirmed that audit certificates held open in relation to this can be issued. We are therefore satisfied all audit work necessary has been completed.

Opinion on the financial statements

In our auditor's report for the year ended 31 March 2024 issued on 26 February 2025 we reported that, in our opinion the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

In our auditor's report for the year ended 31 March 2024 issued on 26 February 2025 we reported that:

We have nothing to report in respect of whether the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

No matters have come to our attention since that date that would have resulted in any additional exception reporting on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in

its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Folkestone & Hythe District Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the Members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Sophia Brown

Sophia Brown, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

3 December 2025



Grant Thornton UK LLP
30 Finsbury Square
London EC1G 2AG

17 December 2025

Dear Grant Thornton UK LLP

Folkestone and Hythe District Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Folkestone & Hythe District Council ("the Authority") and its subsidiary undertaking ("the group") as shown in Appendix I to this letter, for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the group and Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the group and Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the group and Authority financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include land and building, investment property, and heritage asset valuations, defined benefit net pension fund liability valuation, level 2 and 3 investment valuations, depreciation, credit

loss and impairment allowances, fair value estimates, provisions, and accruals. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Authority financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the group and Authority has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the group and Authority and their financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. The prior period adjustments disclosed in the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.**
- xiv. We have updated our going concern assessment. We continue to believe that the group and Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the group and Authority means that, notwithstanding any intention to cease the group and Authority operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related

public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

- b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Authority's ability to continue as a going concern need to be made in the financial statements.

- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The group and Authority has complied with all aspects of ring-fenced grants that could have a material effect on the group and Authority's financial statements in the event of non-compliance.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the group and Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the group and Authority from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Authority, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the group and Authority's related parties and all the related party relationships and transactions of which we are aware.

- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the group and Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Authority's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit and Governance Committee at its meeting on 17 December 2025.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

Appendix I
List of subsidiary undertakings

Oportunitas Limited	Subsidiary
Otterpool Park LLP	Subsidiary
Otterpool Park Development Company Ltd	Subsidiary

Appendix II
Schedule of unadjusted misstatements

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
Pension Fund Liability	-	416	-	-	Immaterial, projected difference
The auditors of Kent Pension Fund (KPF) reported a misstatement of £26,711k within their IAS19 assurances due to a difference between the net assets in the pension fund accounts (£8,451,611k) and the fund assets provided to the actuary by the KPF (£8,424,900k). This results in total variance of £26,711k for KPF as a whole.		(416)			
Folkestone and Hythe District Council's % share of assets in the fund is 1.56%, thus the net effect of the misstatement to FHDC is £416k.					
- Pension Fund liability, Dr 416k					
- Pensions Reserve, Cr 416k					
Overall impact of current year unadjusted misstatements	-	-	-	-	

Audit Findings (ISA 260) Report for Folkestone & Hythe District Council

Year ended 31 March 2025

January 2026



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

Grant Thornton UK LLP
 8 Finsbury Circus
 London
 EC2M 7EA

19 January 2026

www.grantthornton.co.uk

Dear Members of the Audit & Governance Committee

Audit Findings for Folkestone & Hythe District Council for the 31 March 2025

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.

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.

Chartered Accountants

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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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.pdf).

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.

Paul Dossett

Partner
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Folkestone & Hythe District Council (the 'Authority') and the preparation of the group and Authority's financial statements for the year ended 31 March 2025 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 Authority's financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority'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 during October-December as planned. Our findings are summarised on pages 19 to 32. We have identified not identified any adjustments to the financial statements.

Audit adjustments are detailed at page 36. We have also raised recommendations for management as a result of our audit work. These are set out at page 46-47. Our follow up of recommendations from the prior year's audit are detailed at page 48-49.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion page 62-67, subject to the following outstanding matters:

- Conclusion of final quality review of audit work
- Receipt of management signed representation letter and
- Review of the final set of financial statements

Further information on outstanding work is set out on page 14

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 on 29/01/2026.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority 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 Authority'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 Authority's arrangements under the following specified criteria:

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

We have completed our VFM work, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Headlines

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 required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until;

- We have concluded our work in relation to consolidation returns for the Whole of Government Accounts for 2024/25 and 2023/24 and a certificate has been issued for 2023/24.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority


The implementation of IFRS 16 has not had a material impact on the financial statements. Appropriate changes have been made to the accounting policies and disclosures in the financial statements for this change in accounting standard. The Council has completed a thorough exercise assessing all leases and contracts against whether they should be accounted for under IFRS 16 and has determined there are no leases in the scope of IFRS that are required to be disclosed as Right of Use assets in the financial statements.


We have not identified any issues to report in respect of the Council's implementation of IFRS 16.


Status of the audit


Our work is nearing completion, however there are a small number of items which remain outstanding at the point of writing this report. The outstanding matters are set out below.




 **Valuation of Land & Building**– We are concluding our work around the assessment of assumptions used in the valuations land & buildings.

 **Debtors** – We are completing our final quality review of the debtors testing

 Receipt of signed letters of representation

 Review of updated financial statements and annual governance statements

 Completion of internal file and quality review processes

-  Significant elements outstanding – high risk of material adjustment or significant change to disclosures
-  Some elements outstanding – moderate risk of material adjustment or significant change to disclosures
-  Not considered likely to lead to material adjustment or significant change to disclosures

Materiality

Our approach to materiality

As communicated in our Audit Plan dated April 2025, we determined materiality at the planning stage as £2.62m based on 2.5% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements. The audit team did not consider that the movement in gross expenditure was significant enough to change materiality levels. Our materiality levels, therefore, remain unchanged from the assessment made at the planning stage of the audit.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £2.6m based on professional judgement in the context of our knowledge of the Authority
- We have used 2.5% of gross expenditure as the basis for determining materiality.
- We use a benchmark of gross expenditure as the Council prepares an expenditure based budget for their financial year with the primary objective of providing services to the local community.
- The benchmark of gross expenditure has increased to 2.5% from 1.75% in the prior year due to a change in the benchmark permitted by the GT methodology.

Performance materiality

- Performance materiality is the level at which we perform specific audit testing. This is based on a percentage of materiality. This percentage is assessed at 70% and has not changed from the planning stage of the audit.
- **Component Performance materiality**
- Where audit work on components is being performed using component performance materiality, this has been set at £1.76m, with the component performance materiality used reflecting the relative risk and size of that component to the group

Specific materiality

- If Senior officer remuneration is an area of interest to readers of the financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes.
- We have therefore assessed a specific materiality for senior officer remuneration that is £20k per senior officer. Note this is not a cumulative amount and has been applied to each senior officer.
- **Reporting threshold**
- We will report to you all misstatements identified in excess of £0.131m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Group (£)	Authority (£)	Qualitative factors considered
Materiality for the financial statements	£2.65m	£2.62m	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year.
Performance materiality	£1.85m	£1.83m	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 70% of overall materiality considering the requirements of ISA 320.
Specific materiality for senior officer remuneration	-	£20k per officer	Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes.
Reporting threshold	£0.132m	£0.131m	

Overview of significant other risks identified

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	● Green
Valuation of land and building, council dwellings and Investment property	Significant	↔	✗	High	● Green
Valuation of the defined benefit pension net liability	Significant	↔	✗	High	● Green
Level 3 financial assets and liabilities	Significant	↔	✗	High	● Green
Risk of fraud in revenue recognition ISA (UK) 240 presumed – (rebutted for all revenue streams)	Significant	↔	✓	Low	● Green
Risk of fraud in expenditure recognition (rebutted) and other risk of completeness of expenditure	Other	↔	✓	Low	● Green

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● Green - Not likely to result in material adjustment or change to disclosures within the financial statements

● Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements

● Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
<p data-bbox="104 368 588 404">Management override of controls</p> <p data-bbox="104 425 861 518">Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p data-bbox="104 539 861 668">We have 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 data-bbox="861 368 1019 396">We have:</p> <ul data-bbox="861 411 1617 853" style="list-style-type: none"><li data-bbox="861 411 1617 482">• evaluated the design and implementation of management controls over journals;<li data-bbox="861 489 1617 561">• analysed the journals listing and determined the criteria for selecting high risk unusual journals;<li data-bbox="861 568 1617 668">• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration;<li data-bbox="861 675 1617 775">• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and<li data-bbox="861 782 1617 853">• reviewed contract waivers and any incidences of non-compliance with procurement regulations	<p data-bbox="1617 368 2443 468">Our audit work is complete and has not identified any significant issues in respect of management override of controls.</p> <p data-bbox="1617 482 2443 582">No issues have been identified and we are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p data-bbox="1617 596 2443 725">Having assessed management judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<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 2025.</p> <p><u>Other land & buildings £35.654m (PY £33.209m):</u> 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><u>Council dwellings £226.781m (PY £217.075m):</u> 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><u>Investment properties £27.109m (PY £30.278m):</u> 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>We have:</p> <ul style="list-style-type: none"> • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Confirming the basis on which the valuation was carried out by the external valuation expert to ensure that the requirements of the Code are met. • Tested revaluations of land and buildings, council dwellings and investment properties recorded during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assessed the value of a sample of land and buildings, investment properties and council dwelling assets in relation to market rates for comparable properties. • 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 the valuation of investment properties and council dwellings.</p> <p>Our work on the valuation of land and buildings is ongoing and to date we have identified the following findings in relation to this.</p> <p>Our work to date has identified two findings in relation to management's process around assets not revalued and process around the reconciliation between the valuation report and asset register. These are set out in further detail on p45 – 46 of this report.</p> <p>We have also identified one non-material misstatement where the valuer has used the incorrect floorplans to value an asset, management have agreed to adjust for error and this is set out on page 37 of this report. These are set out in further detail on p46 – 47 of this report.</p>

Significant risks

Risk identified

Valuation of net pension liability

The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net liability arising from defined benefit obligation, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£7.1m in the Authority's Balance Sheet at 31 March 2025, falling from £9.1m at 31 March 2024) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.

We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

Audit procedures performed

We have:

- 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 evaluate the design of the associated controls.
- Evaluated the instructions issued by management to their actuary (Barnett Waddingham) 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 reasonableness of the actuary's assumptions and calculations in-line with the relevant standards.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Undertook 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.
- Confirmed through analysis of the actuarial report that there was no impact arising from an asset ceiling, as per requirements of IFRIC 14.
- Obtained assurances from the auditor of Kent 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.

Key observations

Our audit work is complete and we received assurances from the Kent Pension Fund auditor.

We are satisfied that the judgments and estimates made by management regarding the valuation of net pension liability were appropriate.

Furthermore, we found no material misstatement arising from management bias as a result of the judgments and estimates made over the valuation

Significant risks

Risk identified	Audit procedures performed	Key observations
<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>We have:</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 work is complete and has not identified any issues in respect of the level 3 financial assets and liabilities</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Presumed risk of fraud in revenue recognition</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the Council and Group’s revenue streams, at the planning stage we determined that the risk of fraud in revenue recognition could 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– The culture and ethical frameworks of the Council, mean that all forms of fraud are seen as unacceptable.	<p>We have evaluated the Council and Group’s accounting policy for recognition of income for appropriateness and compliance with the Code 2024/25, updated our understanding of the Council and Group’s system for accounting for income and evaluated the design and implementation of associated relevant controls.</p> <p>We have sample tested transactions around the year-end to ensure that income has been recorded in the correct financial year.</p> <p>We have sample tested grant income receipts to ensure that they have been appropriately categorised and only recognised when conditions have been met.</p>	<p>Our work has not identified any issues in respect of recognition and presentation of fraud and error in revenue recognition.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
<p>Presumed risk of fraud in expenditure recognition</p> <p>Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.</p> <p>At the planning stage, we considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	<p>We have evaluated the Council and Group’s accounting policy for recognition of expenditure for appropriateness and compliance with the Code 2024/25, updated our understanding of the Council and Group’s system for accounting for income and evaluated the design and implementation of associated relevant controls.</p> <p>We have sample tested transactions around the year-end to ensure that expenditure has been recorded in the correct financial year.</p>	<p>Our audit work has not identified any issues in respect of recognition and presentation of fraud in expenditure recognition.</p>

Other findings

Other findings – significant matters

Issue

Commentary

Prior year adjustments identified

The Council engages Arlingclose to annually assess the fair value of its equity investment in Oportunitas Ltd, a wholly owned subsidiary providing affordable housing. For 31 March 2024, the investment was valued at £734,000. During the 2025 valuation process, Arlingclose identified errors in the prior year's calculation. Specifically, the discount rate was incorrectly applied and this was applied to cash flows that had been calculated on an interim basis rather than for a full year.

Correcting these inputs resulted in a revised fair value of £4.3m, meaning the investment was understated by £3.57m in the 2024 financial statements. This misstatement is material and qualifies as a prior period error.

Management have corrected the error through a prior period adjustment (PPA) in accordance with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

Auditor view

Our work in assessing the prior period error is not yet concluded, while are satisfied with managements proposed accounting treatment and adjustment, we are unable to conclude on this until we have reviewed the updated draft accounts.

Management response

The Council's professional advisors notified the Council of a correction required to their 2023/24 calculations of the fair value of its equity investment in Oportunitas Ltd. As an unlisted private limited company, the Council rightly obtains specialist professional technical advice to ascertain its fair value which is particularly complex for unlisted entities. In this case, having been notified of the issue by the professional advisors, officers disclosed the material error to the auditors. A restatement of the prior period comparatives has been made and disclosed in the revised accounts.

Other findings – significant matters

Issue

Commentary

Princes Parade

On review of the draft financial statements, we considered the accounting treatment of the Princes Parade development and the related contingent liability disclosure.

The Council owns a development site at Princes Parade, Hythe which the Council was planning to develop for Housing use and the development of a new Leisure Centre. Due to difficult economic conditions the Council decided to pause the development of the site to consider potential options in 2022/23. There was a public consultation in February 2025 regarding the future of the development with the results being published in May, in June it was decided that the project would end.

The development was initially capitalised as an asset under construction (AUC), with costs of £3.4m brought forward as at 1 April 2022/23 with management intending to write off this balance within the 2025/26 financial year.

In the 2024/25 draft financial statements the £3.4m capitalised costs relating to the development remain on the balance sheet as AUC. The results of the consultation have been disclosed as an event after the balance sheet date

Our assessment identified potential impairment indicators prior to the public consultation. Under IAS 36 these factors indicated that the asset's intended service or economic benefit would not be achieved, therefore we have challenged management on whether an impairment was required in the 2024/25 financial year. We have also challenged management on whether their disclosure on events after the balance sheet date is sufficient in disclosing the potential future use of the site and associated potential costs.

Auditor view

We have challenged management on their accounting treatment in the 24/25 financial statements. At the time of writing management have provided their response to this challenge and their rationale for the accounting treatment adopted for the project in the 2024/25 draft financial statements. On review of managements response we have concluded the proposed accounting treatment is appropriate along with managements agreement to update the 24/25 disclosure to include further detail of the value expected cost to be written out.

Management response

The Council's professional judgment is that the project only formally ended in June 2025. All the while the reserved matters application (22/1192/FH) for the residential part of the Princes Parade scheme remained live, the 'expiry date' for the implementation of the original permission (Y17/1042/SH) was undetermined. Any costs to June 2025 remained capitalised until such time as the planning application obligations were formally disposed of.

The final date became known following the disposal of the application on 13 June 2025 (in the 2025-26 financial year). The Council expects to write the capital out to revenue in 2025/26.

Management have agreed to add additional disclosures to the statement of accounts.

Other findings – key judgements and estimates

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

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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings including investment properties and council dwellings £289.54m at 31 March 2025	<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 hose 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 2025, on a five yearly cyclical basis. The total year end GBV of land and buildings was £37.59m, 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>(Continued)</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.• verified that management’s judgement that the carrying value of assets is not materially different to the current value is reasonable. This has been done by setting an independent expectation of the difference using indices provided by Montague Evans.	TBC

Other findings – key judgements and estimates


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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings including investment properties and council dwellings £289.54m at 31 March 2025	<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>	<ul style="list-style-type: none">assessed the reasonableness of judgements and assumptions made by management and the valuerconsidered the useful economic lives applied to assets by management’s expert. <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to the accounting estimate for Council Dwellings and Investment Property.</p> <p>Our work on Land and Buildings is still in progress.</p>	TBC

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment			
Valuation of net pension liability £7.1m at 31 March 2025	The Council’s net pension liability at 31 March 2025 is £7.1m (PY £9.1m) comprising the Local Government pension scheme as administered by Kent County Council. The Council uses Barnett Waddingham to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.	<ul style="list-style-type: none">• We have assessed the Council’s actuary, Barnett Waddingham, to be competent, capable and objective.• We have performed additional tests in relation to the accuracy of the contribution figures, benefits paid and asset returns, to gain assurance over the 2023-24 roll-forward calculation carried out by the actuary.• We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.• We have confirmed there were no significant changes in 2024/25 to the valuation method.• We conducted an analytical review to confirm reasonableness of the Council’s share of LGPS pension assets.• We have conducted appropriate work to confirm that the application of an asset ceiling, as required by IFRIC 14 is not required.	<div>● Green</div> <p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>			
	The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.					
	Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.					
	Assumption			Actuary value	PwC range	Assessment
	Discount rate			5.8%	5.6% - 5.95%	Reasonable
	Pension increase rate			2.9%	2.85% - 2.95%	Reasonable
	Salary growth			3.9%	3.9%	Reasonable
Life expectancy (years) – Males currently aged 45/65	Pensioners: 20.7 Future pensioners: 22.0	Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1	Reasonable			
Life expectancy (years) – Females currently aged 45/65	Pensioners: 23.3 Future pensioners: 24.7	Pensioners: 22.7 – 24.3 Future pensioners: 24.1 – 25.74	Reasonable			

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<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>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>Conclusion:</p> <p>Our work in this area is not yet complete and as such we cannot conclude on the key judgements and estimates in this area.</p>	<p> Green</p> <p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application 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, implementation and operating effectiveness)	<div><div></div></div> Green	<div><div></div></div> Green	<div><div></div></div> Green	<div><div></div></div> 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
- [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and 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	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> A letter of representation has been requested from the Council, including specific representations in respect of the Group covering the financial statements, annual governance statement and narrative report which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements. Details of disclosure changes made to the financial statements following audit review have been set out on page 38.
Audit evidence and explanations	<ul style="list-style-type: none"> All information and explanations requested from management was provided as promptly as possible.
Significant difficulties	<ul style="list-style-type: none"> No significant difficulties arose during the audit that we require to bring to the attention of those charged with governance.
Other matters	<ul style="list-style-type: none"> There are no other matters that we are required to bring to the attention of those charged with governance.

Other responsibilities

Issue

Commentary

Going concern

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 2024). 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.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- 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
- 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 Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Authority and its group and the environment in which it operates
- the Authority and Group's financial reporting framework
- the Authority and Group's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment for the Authority and its group.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- 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.

Other responsibilities

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>No inconsistencies have been identified/or set out here any inconsistencies. We plan to issue an unmodified opinion in this respect – refer to Appendix D.</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. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters</p>

Other responsibilities

Issue	Commentary
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 work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2024/25 audit of Folkestone and Hythe District Council in the audit report, as detailed in Appendix H.</p>

Audit adjustments

Audit adjustments

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

3 adjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Audit Committee should any issues be identified from the remaining testing.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
OLB Valuation	-	267	-	-
During our audit procedures, we identified a discrepancy in the valuation of Hawkinge Community Office (formerly Hawkinge Partnership Building). The issue arose because the valuer incorrectly applied the site area for Hawkinge Community Centre, an asset not owned by the Council, instead of the correct site area for Hawkinge Community Office.		(267)		
Management obtained a revised valuation, reducing the asset value from £378,400 to £111,700, resulting in an adjustment of £266,700. While this difference is not material, it exceeded the triviality threshold and has been corrected in the financial statements.				
Dr Revaluation Reserve £266,700				
Cr Other Land and Buildings £266,700				
Long Term Debtor	(1,717)	1,717	(1,717)	1,717
During the year management restructured a loan to its subsidiary Oportunitas Limited which decreased the debtor from £6,418,032.55 to £4,701,248 which has been reported in the draft financial statements. In year management have decided not to go ahead with the restructure and have therefore posted a material adjustment to correct the year end debtor. The audit team as part of the testing on debtors have verified the accuracy and existence of the adjusted debtor balance.				
Dr Debtors £1,716,785				
Cr Income £1,716,785				

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Group Balance Sheet	-	1,690	-	-
On review of the group financial statements, it was identified that there had been material adjustments to the signed financial statements of Oportunitas Ltd made after consolidation of the Councils group accounts. Management have agreed to adjust the group balance sheet in line with the audited financial statements. Dr Long Term Borrowings £1,690k Cr Usable Reserves £1,690k		(1,690)		
Overall impact	(1,717)	1,717	(1,717)	1,717

Audit adjustments

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	Misclassification or change identified	Adjusted?
CF Note 2	Disclosure Misstatement - As per CF I&E, business rates income is stated as £29,810k. Upon discussion with management, it was identified that the business rates income is actually £28,840k and has been accounted appropriately, hence this is a disclosure misstatement. This impacts the disclosure of the 'total income' line and 'closing balance of surplus/deficit for the year' line in the CF I&E.	✓
Note 34	<p>Within the Maturity Analysis table under Liquidity Risk and the Impact of a 1% Increase table under Market Risk, we identified variances between the draft Statement of Accounts figures and those reported in the Arlingclose reports prepared by management's expert.</p> <p>Management confirmed that these disclosures had not been updated and agreed to amend them to ensure consistency with the expert reports.</p>	✓
Note 43	<p>Omission of Contingent Liability Disclosure – Virgin Media Case</p> <p>The financial statements did not include a disclosure relating to the ongoing legal matter Virgin Media Ltd v NTL Pension Trustees II Ltd. Based on the nature of the case and its potential implications, this should have been considered for disclosure as a contingent liability in accordance with relevant accounting standards.</p>	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓
Throughout	A number of immaterial accounting policies and disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 28	<p>Our review of Note 28 identified inconsistencies between the disclosures and the corresponding balances in the financial statements or management's working papers, as well as misclassifications arising from items not meeting the definitions of financial assets or financial liabilities. The affected areas include:</p> <ul style="list-style-type: none"> Updating the narrative under Financial Liabilities to reflect £10.313m rather than £11.199m. Updating the narrative under Financial Assets to £7.892m (£7.984m in 2023/24) instead of £8.246m (£7.431m in 2023/24). Amending the fair value of investments within Financial Assets at FVTPL from £18.617m to £19.351m. Removing £220k of cash in transit from Financial Liabilities, as it is already included within Cash and cash equivalents. Reducing short term trade receivables by £403k to remove duplicated expected credit losses. Removing £773k relating to Otterpool land option prepayments, as the balance does not meet the definition of a financial asset. 	✓
Collection Fund	<p>As per CF I&E, business rates income is stated as £29.810m. Upon discussion with management, it was identified that the business rates income is actually £28.840m and has been accounted appropriately, hence this is a disclosure misstatement. This impacts the disclosure of the 'total income' line and 'closing balance of surplus/deficit for the year' line in the CF I&E.</p> <p>This also impacts CF Note 2 - Income Collectable from Business Rate Payers. Non-domestic rateable value as at 31 March should be -£83.089m (as per VO schedule) instead of -£88.140m. Non-domestic rate multiplier should be 52.8p (considering small business rate and ordinary business rate multipliers) instead of 49.9p. NNDR income before allowances and other adjustments should be -£43.891m (as per NNDR 3 form) instead of -£43,982. Allowances, reduced assessments and other adjustments should be £15.051m (as per NNDR 3 form) instead of £14.172m. This casts to income collectable from business rate payers as -£28.840m instead of -£29.810m.</p>	✓

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 1.21	The IFRS 16 accounting policy did not provide sufficient detail on the de minimis threshold applied to leases as part of managements IFRS16 assessment. Management have agreed to update the disclosure to include the £10,000 de minimis threshold set.	✓
Note 7	From our audit procedures on the Expenditure and Funding disclosure it was identified that The Other Income and Expenditure line within the disclosure does not agree to the CIES, the balance was £26,839k per the EFA however the balance as per the CIES is £28,757k. Management have agreed to update the disclosure to ensure it reconciles with the CIES.	✓
Note 44	From our challenge of managements accounting treatment on the Princes Parade project, we identified that the Events after the Balance Sheet Date disclosure did not contain sufficient detail to ensure transparency for readers of the accounts. Management have agreed to update the disclosure to include greater detail including that the £3.5m in capitalised expenditure relating to the project will be written out in full in 25/26.	✓
Note 6. HRA	We noted a variance of £727k between the Council dwellings impairment balance disclosed in HRA Note 6 = £8,105k and the Council dwellings impairment balance as per the trial balance and supporting workings of £8,831k. Upon discussion with management, it was identified that Note 6 needs to be updated as it currently does not pick up an adjustment of £727k from the Revaluation reserve account (RRA) to the Capital adjustment account (CAA). Management have agreed to correct this note to match the balance of £8,831k.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The Audit 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
Pension Fund Liability	-	416	-	-
The auditors of Kent Pension Fund (KPF) reported a misstatement of £26,711k within their IAS19 assurances due to a difference between the net assets in the pension fund accounts (£8,451,611k) and the fund assets provided to the actuary by the KPF (£8,424,900k). This results in total variance of £26,711k for KPF as a whole. Folkestone and Hythe District Council's % share of assets in the fund is 1.56%, thus the net effect of the misstatement to FHDC is £416k. - Pension Fund liability, Dr 416k - Pensions Reserve, Cr 416k		(416)		
Council Tax Debtors	135	-135	135	-135
We identified a variance between the council tax debtors reported in the accounts and the amount as per the supporting listings provided through the LG futures model. The impact is the overstatement of council tax debtors in the financial statements by £134,912.				
Overall impact of current year unadjusted misstatements	-	-	-	-

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements. The Audit 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
Understatement of expenditure – payments made 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. - Creditors, Cr £334k - Operating expenditure, Dr £334k	334	(334)	334	(334)	Projected misstatement
Understatement of expenditure – invoices received 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. - Creditors, Cr £571k - Operating expenditure, Dr £571k	571	(571)	571	(571)	Projected misstatement
Overstatement of expenditure – Note 7 Operating Expenditure 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. - Creditors, Dr £115k - Operating expenditure, Cr £115k	(115)	115	(115)	115	Projected misstatement

Impact of unadjusted misstatements in the prior year

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
Overstatement of NNDR creditors 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. - Creditors, Dr £230k - Taxation and non-specific grant income, Cr £230k	(230)	230	(230)	230	Projected misstatement
Note 25 Short-term creditor opening balances 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. 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.	(928)	928	(928)	928	This is an uncertainty (and not a factual error) it is not appropriate to adjust for this balance

Impact of unadjusted misstatements in the prior year

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
Understatement of the Pension Fund liability 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. - Pension Fund liability, Cr £133k - Re-measurement of net defined liability, Dr £133k	133	(133)	133	(133)	Immaterial actuarial change
Overall impact of prior year unadjusted misstatements	(235)	235	(235)	235	
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	946	(946)	946	(946)	

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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
<div><div>●</div><div>Low</div></div>	<p>Lack of Formalised Assessment for Non-Revalued Assets</p> <p>Management does not currently have a formalised process in place for assessing the valuation of assets that are not subject to formal revaluation in each financial year.</p> <p>While we acknowledge that management engages internal property experts (estate) to provide qualitative assessments of asset condition and market relevance, and that a five-year rolling revaluation programme is in place in accordance with CIPFA guidance, the lack of a documented annual assessment increases the risk that material changes in asset values may not be identified on a timely basis.</p> <p>Although the CIPFA Code does not mandate annual revaluation for all assets, it does require that asset values remain materially accurate. Without a structured and consistent approach to assessing non-revalued assets, there is a heightened risk of misstated asset values in the financial statements. This may compromise the accuracy and reliability of financial reporting, and could result in non-compliance with IAS 16 or the Code.</p>	<p>Management should implement a formalised annual assessment process for assets not subject to revaluation. This should include documented procedures for reviewing indicators of impairment or significant changes in value, supported by appropriate evidence and professional judgement.</p> <p>Management response</p> <p>The Council's professional judgment is that the project only formally ended in June 2025. All the while the reserved matters application (22/1192/FH) for the residential part of the Princes Parade scheme remained live, the 'expiry date' for the implementation of the original permission (Y17/1042/SH) was undetermined. Any costs to June 2025 remained capitalised until such time as the planning application obligations were formally disposed of.</p> <p>The final date became known following the disposal of the application on 13 June 2025 (in the 2025-26 financial year). The Council expects to write the capital out to revenue in 2025/26.</p> <p>Management have agreed to add additional disclosures to the statement of accounts.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

Assessment	Issue and risk	Recommendations
<div><div></div><div>Low</div></div>	<p>Lack of Formalised Reconciliation Between Valuation Report and Asset Register</p> <p>During our testing of the valuation Land and building and Council dwelling, we noted several reconciling items between the valuer’s report and the Council’s asset register. These differences arose because the valuation included assets that had been disposed of in the current and prior years, as well as assets classified as held for sale. While management was aware of these differences, there was no evidence that a formal reconciliation was performed as part of the financial statement close process.</p> <p>Failure to reconcile valuation reports with the asset register increases the risk of misstatement of property, plant, and equipment balances within the financial statements. This may also result in inaccurate depreciation charges and incorrect impairment assessments. If such errors remain undetected, they could lead to misstatements and non-compliance with IAS 16 or the Code.</p>	<p>Management should implement a formal reconciliation process between the valuation report and the asset register as part of the year-end close procedures. This should include documented checks to ensure that disposed assets and assets held for sale are excluded from valuations and that any differences are investigated and resolved before financial statements are finalised for the inspection period.</p> <p>Management response</p> <p>Whilst no errors have been identified as a result of this finding, the Council takes note of this process improvement point and will implement a relevant reconciliation control between the asset register and the valuation report.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report. With a further follow up on 4 recommendations reported in our 2022/23 Audit Findings Report which were not fully implemented at the point of reporting for 2023/24.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>2023-24 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 (December 2024) and 2023/24 (February 2025) audit findings reports, 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, which was brought forward to 2023/24 and 2024/25 and continue to refine it.</p>
X	<p>2023-24 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>The Council followed up this matter with its external system supplier for the incumbent system. From those discussions, it has become clear that an automated control will not be possible in the existing system. Given the forthcoming implementation of a new financial management system, this control will be addressed as part of that implementation using an automated control.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
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 changing 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>
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), subsequent 2023/24 audit (February 2025) and then commencement of the 2024/25 audit (from March 2025) for management to review the fixed asset register and associated accounting / depreciation policies. This will be addressed following implementation of the new financial management system from April 2026</p>
X	<p>2023-24 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>As with the 2023-24 manual journal automated user access control recommendation raised above, a suitable hierarchy will be implemented alongside the automated controls as part of the new financial management system due to go live in April 2026.</p>

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR was shared with management on 5 November 2025 and the final AAR reported to you on 17 December 2025.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

In undertaking this work we have not identified any significant weaknesses in arrangements.

Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose the following to you:

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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 Authority 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 Authority or group or investments in the Authority or 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 Authority or 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 Authority or 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 Authority or group, senior management or staff (that would exceed the threshold set in the Ethical Standard).

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 and network firms have 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.

Fees and non-audit services

Audit-related non-audit services

Service	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	£35,060	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 £35,060 in comparison to the total fee for the audit of £183,758 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.
Certification of Pooling of Housing Capital Receipts claim	£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 £183,758 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.

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

Fees and non-audit services

Audit fees	Proposed fee £	Final fee £
Scale fee set by PSAA	183,758	183,758
Group audit procedures	8,272	8,272
Fee variation – implementation of IFRS 16	-	-
Total audit fees (excluding VAT)	£192,030	£192,030

Total audit and non-audit fee

Audit fee - £192,030	Non-audit fee - £45,060
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The above fees are exclusive of VAT and out of pocket expenses.

The fees above reconcile to the financial statements.

A fee variation for our work on the implementation of IFRS 16 is currently being calculated and will then be discussed with management, before submission to PSAA for approval. We will update the Governance and Audit Committee when the fee variation is approved.





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

Appendices

A. Communication of audit matters with 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	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

B. Our team and communications

Grant Thornton core team

Paul Dossett

Key Audit Partner

- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance

Kieran McDermid

Audit Manager

- Works with your senior finance team members
- Resource management
- Responsible for overall audit management, audit delivery and reporting

Mary Adeson

Audit Senior

- Day-to-day point of contact
- Leads the audit fieldwork

Thomas Foster

Value for Money
Lead Manager

- Leads on our Value for Money work
- Responsible for meeting with Officers and Members and concluding on the efficiency of arrangements for obtaining value for money

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C: Group audit

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

The table below summarises our final group scoping, as well as the status of work on each component.

Subsidiary Level						Risk of material misstatement to the group	Auditor	Planning - Audit scope	Final – Audit Scope	Status
1	2	3	4	5	6					
Folkestone and Hythe District Council Group							Grant Thornton UK LLP			●
	Folkestone and Hythe District Council					Yes	Grant Thornton UK LLP			●
	Oportunitas Limited					Yes	Begbies Chartered Accountants			●
	Otterpool Park LLP					No	Kreston Reeves LLP			●
	Otterpool Park Development Company Ltd					No	Kreston Reeves LLP			●

Key

Scope 1	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
Scope 2	Specific audit procedures designed by the group auditor (specific scope)
Scope 3	Specific audit procedures designed by the component auditor (specific scope)
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.
●	Planned procedures are substantially complete with no significant issues outstanding.
●	Planned procedures are ongoing/subject to review with no known significant issues.
●	Planned procedures are incomplete and/or significant issues have been identified that require resolution.

D: Draft Audit Opinion

Independent auditor's report to the members of Folkestone and Hythe District Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Folkestone and Hythe District Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the notes to the financial statements including a summary of significant accounting policies, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the notes to the Collection Fund accounts, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement, and notes to the group accounts including a summary of significant group accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2025 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance (s.151) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

D: Draft Audit Opinion

In our evaluation of the Director of Finance (s.151) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance (s.151) use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance (s.151) with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance (s.151) is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

D: Draft Audit Opinion

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

- Under the Code of Audit Practice, we are required to report to you if:
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.
- We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Director of Finance (s151)

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance (s.151). The Director of Finance (s.151) is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance (s.151) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance (s.151) is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

D: Draft Audit Opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003.
- We enquired of management and the Audit and Governance Committee, concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraud in income and expenditure recognition and potential management bias in determining accounting estimates for the valuation of land and buildings (including council dwellings and investment properties), the valuation of the pension fund net liability, the valuation of level 3 financial assets and liabilities, and the completeness of expenditure accruals. We determined that the principal risks were in relation to manual journals that altered the Authority's financial performance for the year, post year-end closing journal entries.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on unusual journal entries using criteria based on our knowledge of the Authority and the use of data analytics;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings, the pension fund net liability, level 3 assets and liabilities; and manual expenditure accruals;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

D: Draft Audit Opinion

- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including potential for fraud in revenue/ expenditure recognition and significant accounting estimates. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector in which the group and Authority operates
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

D: Draft Audit Opinion

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Folkestone and Hythe District Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority’s consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor



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