

## Independent auditor's report to the members of Folkestone and Hythe District Council (the "Authority")

### Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2019 issued on 31 July 2019 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 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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

#### Qualified conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matters described in the basis for qualified conclusion section of our report we are satisfied that, in all significant respects Folkestone and Hythe District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

#### Basis for qualified Conclusion

East Kent Housing (EKH) was set up in 2011 as an Arm's Length Management Organisation ("ALMO") to manage and maintain the housing stock of 17,000 dwellings for four east Kent councils including Folkestone and Hythe District Council. The Council retained ownership of the housing stock and was ultimately responsible for providing safe, secure housing for tenants and complying with relevant legislation.

In 2017 EKH entered into a contract with a supplier for a range of property management services, including gas servicing and heating installation. During 2018/19, it became apparent that the contract was not operating effectively. The following issues were identified:

- there was a failure to comply with legal requirements in respect of gas safety inspections, which resulted in the Council reporting itself to the Housing Regulator and a Regulatory Notice being issued in September 2019
- the Council's internal auditors issued several reports on aspects of EKH's arrangements for managing the contract which contained a 'no assurance' conclusion. These reports covered heating and installation, electrical safety, lift maintenance and legionella
- the Council commissioned an independent review of EKH, which found systemic weaknesses in health and safety compliance, data management, IT capability and record keeping. The review also identified that there was a dysfunctional relationship between EKH and the four east Kent councils.

These matters identify weaknesses in the Council's arrangements for overseeing the performance of EKH. These matters are evidence of weaknesses in proper arrangements for working with third parties effectively to deliver strategic priorities.

### **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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **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 on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Report on other legal and regulatory requirements - Delay in certification of completion of the audit**

In our report dated 31 July 2019, we explained that we could not 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 had:

- Completed our work to give our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Completed our consideration of matters that have been brought to our attention by a local authority elector under Section 27 of the Local Audit and Accountability Act 2014.

We have now completed our consideration of Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, and our conclusion is set out above. However, we cannot formally conclude the audit and issue an audit certificate for the Authority for the year ended 31 March 2019 until we have completed our consideration of the objection brought to our attention by a local authority elector. We are satisfied that this matter does not have a material effect on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion.

### **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 43 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*

Paul Dossett

Key Audit Partner  
for and on behalf of Grant Thornton UKLLP, Local Auditor

London

19 November 2020