



Councillor Philip Martin
Chairman
Folkestone Hythe District Council
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22 March 2021

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Dear Councillor Martin,

Folkestone & Hythe District Council – Financial Statements for the year ended 31 March 2021

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of management as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the schedule set out in **Appendix 1**.

I would be grateful for your response by Monday 29th March 2021.

Please contact me if you wish to discuss anything in relation to this request, either by telephone 020 7865 2990 or by email on the following address: mary.t.adeson@uk.gt.com. Alternatively, please contact Paul Dossett, Audit Partner on 020 7728 3180 or paul.dossett@uk.gt.com

Yours sincerely

Mary Adeson
Audit Associate
For Grant Thornton UK LLP

Appendix 1: Responses from the Committee

| Auditor question | Response |
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| Fraud risk assessment | |
| Has the Authority assessed the risk of material misstatement in the financial statements due to fraud? | The Council feel that the risk of material misstatement in the financial statements due to fraud is minimal. The Council has a robust system of internal controls in place that are regularly independently reviewed by the East Kent Audit Partnership (EKAP). The audit plan is drafted with relevant risks in mind. These reviews are reported to the Audit & Governance Committee on a quarterly basis providing assurance. |
| What are the results of this process? | There have been no known incidents during the financial year where material financial fraud is known to have occurred. |
| What processes does the Authority have in place to identify and respond to risks of fraud? | The Council has a dedicated qualified Fraud investigation resource which is primarily utilised for Housing Benefit & Council Tax Reduction fraud but can also be deployed to investigate other suspected instances of fraud where required. More broadly, the Council also has policies in place for Anti-Corruption, Code of Conduct and Whistle Blowing, these documents are available on the website, and mandatory training is undertaken by all staff. The Councils Fraud response plan specifically outlines how Members, staff and members of the public can raise concerns regarding fraud or corruption should they need to and provides a framework for the resulting investigation where required. |
| Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks? | Housing Benefit and Council Tax Reduction are the areas determined as most at risk of fraud for which the Council has a dedicated qualified fraud investigation resource. Since the Housing Service returned in-house we are starting to explore tenancy fraud. During 2020/21 we have also put a number of processes in place to manage the potential risk of fraud within Covid business grants and reliefs. |
| Are internal controls, including segregation of duties, in place and operating effectively? | Yes |
| If not, where are the risk areas and what mitigating actions have been taken? | N/A |
| Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? | There is a potential for override in the processing of accounting journals but there are authorisation processes in place to mitigate this risk. |
| Are there any areas where there is a potential for misreporting? | No |
| How does the Committee exercise oversight over management's processes for identifying and responding to risks of fraud? | The results of the ongoing Internal Control Audits by EKAP are reported quarterly to the Audit & Governance Committee (A&G). EKAP will also undertake follow up audits and report the findings to A&G, bringing members attention to any high risk actions which have not been completed. Additionally the |

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| | Head of EKAP will bring an annual summary to the July A&G meeting which will outline the level of assurance that can be taken in respect of all the main financial systems, and confirm any instances of fraud. |
| What arrangements are in place to report fraud issues and risks to the Committee? | In addition to the process of fraud reporting through EKAP, the S151 Officer & Monitoring Officer would alert the Chair of the Audit & Governance Committee as well as the relevant Cabinet Portfolio Holder, of any significant fraud at the earliest opportunity. The Head of EKAP also has the ability through the Chairman, to report suspicions of fraud to the A&G committee if required. |
| How does the Authority communicate and encourage ethical behaviour of its staff and contractors? | The Council has policies in place for Anti-Corruption, Fraud Response Plan, Code of Conduct and Whistle Blowing, these documents are available on the website, and mandatory training is undertaken by all staff. Additionally there is a behaviours and competency framework which staff are expected to adhere to. All tenders for contracts include a questionnaire which asks bidders to confirm that they comply with F&HDC's minimum ethical standards (e.g. equality and diversity, whistleblowing, modern slavery, etc.). Our contract terms for suppliers also require appointed suppliers to commit to these standards and F&HDC's policies. |
| How do you encourage staff to report their concerns about fraud? Have any significant issues been reported? | Training is delivered so staff understand how to report concerns and are assured of confidentiality should they report any issues. No significant issues have been reported. |
| Are you aware of any related party relationships or transactions that could give rise to risks of fraud? | No |
| Are you aware of any instances of actual, suspected or alleged, fraud, either within the Authority as a whole or within specific departments since 1 April 2020? | No |
| Laws and regulations | |
| What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations? | All legal officers follow high standards and are trained to identify and deal any issues that may arise. All legal officers regularly attend training courses to ensure that they are up to date with changes in the law. |
| How does management gain assurance that all relevant laws and regulations have been complied with? | During the year various update reports are presented to the Corporate Leadership Team which provide management with confirmation that the laws and regulations have been complied with. Legal provide comments for management and cabinet papers. |
| How is the Committee provided with assurance that all relevant laws and regulations have been complied with? | During the year various update reports are presented to the Audit and Governance Committee and other committees as deemed necessary which provide the relevant committee with confirmation that the laws and regulations have been complied with. |
| Have there been any instances of non-compliance or suspected non-compliance | No |

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| with law and regulation since 1 April 2020? | |
| What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims? | We do not have policies but each case is reviewed on an individual basis. Each litigation matter is different i.e. housing, planning, or property. |
| Is there any actual or potential litigation or claims that would affect the financial statements? | The Council are party to a long running group litigation case in respect of VAT, but it is not anticipated to give rise to a risk of material misstatement in the financial statements for 2020/21. |
| Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? | No |
| Going Concern | |
| How has the Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements? | CiPFA Code of Practice confirms that the going concern basis of preparation of accounts is appropriate for Local Authorities. This provision reflects the economic & statutory environment local authorities operate within. The underlying assumption of going concern for a local authority (as per the Code) is that “the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future” (2.1.2.9) and that as a local authority can only be discontinued under statutory prescription, accounts should be prepared on that basis (3.4.2.23). |