



# **Audit Findings (ISA 260) Report for Medway Council**

Year ended 31 March 2025

Audit Committee date: 26 February 2026



**Medway Council**  
Gun Wharf, Dock Road  
Chatham  
ME4 4TR

26 February 2026

Dear Members of the Audit Committee

### **Audit Findings Report for Medway Council for the year ended 31 March 2025**

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process 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.

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**Grant Thornton UK LLP**  
8 Finsbury Circus  
London  
EC2M 7EA  
T +44 (0)20 7383 5100

**[www.grantthornton.co.uk](http://www.grantthornton.co.uk)**



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 \(grantthornton.co.uk\)](#).

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.

Matthew Dean

Key Audit Partner  
For Grant Thornton UK LLP

**Chartered Accountants**

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# 01 Headlines and status of the audit

# Overview and status of the audit

## Introduction

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

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

## Backstop disclaimer and impact on 2024/25 opinion

The Authority has been subject to a backstop disclaimer of audit opinion on the financial statements since 2021/22, with 2022/23 and 2023/24 also being subject to disclaimer of audit opinions under these arrangements. Under the government's backstop arrangements, earlier years have been closed without a full audit. As a result, there is no audited assurance over the opening balances for 2024/25, including key areas such as usable and unusable reserves, property, plant and equipment, and other brought-forward balances.

The absence of assurance over opening balances fundamentally constrains the ability to issue an unqualified opinion for 2024/25. Where reserves and other balances have not been fully audited, it is not possible to conclude on the overall financial position, reserves strategy and movements in reserves, even where in-year transactions have been audited.

## Audit approach in the context of multiple years of backstop

In response to the sector-wide position, the firm's approach for authorities affected by several years of backstop disclaimers has been to prioritise testing of in-year transactions for the current audit year. For 2024/25, the primary focus of audit work for the Authority was therefore on:

- Income and expenditure for the year ended 31 March 2025; and
- In-year movements on assets and other significant balances, and, where feasible, the associated closing balances at 31 March 2025.

This approach was designed to provide as much assurance as possible over the current year's financial performance and movements, recognising that the lack of audited opening balances restricts the extent to which an unqualified opinion can be supported.

# Overview and status of the audit

## Status of the audit

The fieldwork stage for the 2024/25 audit commenced in July 2025, with an agreed objective to substantially complete in-year transaction testing by September 2025. This timetable was intended to support both the Authority and the auditor in transitioning towards the reduced statutory timeframes for local audit set by government. During this phase, the primary focus was on testing in-year income and expenditure transactions and associated movements.

An update was presented to the Audit Committee in October 2025, at which point approximately 45% of the planned procedures had been completed. The shortfall against plan was driven largely by capacity and resource constraints within the Authority, affecting the timely provision of information, responses to audit queries and the clearance of audit requests.

In light of the outstanding procedures, the practical constraints on both management and the audit team, and the requirement to conclude the audit ahead of the 27 February 2026 statutory backstop, the fieldwork stage of the audit was closed on 16 January 2026. Given the extent of outstanding audit work, we determined that it would not be feasible to conclude our testing and complete the necessary finalisation and reporting procedures in sufficient time to meet the backstop date. Accordingly, audit work on in-year transactions remains incomplete at the date of this report. Our anticipated financial statements audit report opinion will thus be a disclaimer of audit opinion. Further details of the procedures performed are set out in Appendix C.

This Audit Findings Report therefore presents the findings identified from the work we were able to complete.

## Acknowledgements

We sincerely appreciate the support provided by the finance team and other staff throughout this year's audit. Both your finance team and our audit team faced challenges during the process, including delays in receiving data and issues with the quality of evidence and financial statements.

Despite these difficulties, collaboration between your finance team and our audit team has remained strong. To avoid any misunderstanding, we want to emphasise that these challenges do not reflect a lack of commitment from your finance team in providing the necessary evidence for the audit rather the lack of appropriate capacity to deal with the growing demands of completing a local government audit.



# Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Medway 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.

The fieldwork stage of audit of the Authority's financial statement has concluded. Our findings to date are summarised within pages 16 to 44 of this report. To date, we have not identified any adjustments to the financial statements, that results in an adjustment to the Authority's Comprehensive Income and Expenditure Statement.

We have however identified several misclassification and disclosure changes and have also raised four recommendations for management, which are set out at pages 41 to 44.

Owing to the challenges of undertaking an audit where previous years were subject to backstop-related disclaimer of audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026.

The limitations imposed by not having assurance on the opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will thus be a disclaimer of audit opinion.

# 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 identified significant weaknesses in the Authority’s arrangements for financial sustainability and governance and have raised key recommendations as a result.

## 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 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 received confirmation from the National Audit Office (NAO) that sufficient work required by the Code on Whole of Government Accounts (WGA) for 2024/25 is complete.

## Significant matters

As mentioned above, we have identified significant weaknesses in the Authority’s arrangements and so, we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Please refer to the separate Auditor’s Annual Report presented alongside this report.

# 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.

## National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation

As a result, for 2024/25:

- we have no assurance over the opening balances for 2024/25
- we have no assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to continue with rebuilding assurance; therefore, our focus has been on in-year transactions including income and expenditure, journals, payroll and remuneration and disclosures; and closing balances.

On 5 June 2025 the National Audit Office (NAO) published its “Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06” for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will discuss with you our strategy for rebuilding assurance, in the light of this year's audit, as part of our planning for 2025/26.

# 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

As at the date of drafting this report, we are unable to comment on the balances and disclosures within the financial statements in respect of IFRS 16 as we have not been provided with the necessary working papers and information to support the implementation. We will revisit this area as part of planning for the 2025/26 audit. However, if the required evidence is still outstanding at that stage, the work will be carried forward to the fieldwork stage of the 2025/26 financial statement audit.

## 02 Materiality

# Our approach to materiality

As communicated in our Audit Plan presented to the 11 September 2025 Audit Committee, we determined materiality for the Group and the Authority as **£9,200,000** and **£9,000,000** respectively. This is based on approximately 1.3% of the draft group and authority's gross expenditure for 2024/25, which is the same benchmark used during the planning phase.

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

	<b>Group (£)</b>	<b>Authority (£)</b>	<b>Qualitative factors considered</b>
Materiality for the financial statements	£9,200,000	£9,000,000	The following factors were considered when determining the thresholds for the Council and Group:
Performance materiality	£5,520,000	£5,244,000	
Reporting threshold	£460,000	£450,000	<ul style="list-style-type: none"> <li>– The financial information available at the time of drafting this report</li> <li>– Our understanding of the internal controls in place.</li> <li>– Our review of prior year's auditors' reports</li> <li>– The strength and effectiveness of the Authority's internal controls over financial reporting of its group accounts.</li> <li>– Errors identified in prior year's financial statements.</li> </ul>

## **03 Overview of significant and other risks identified**

# Overview of audit risks

The below table summarises the significant and other 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	●
The risk of fraud in revenue recognition	Significant	↔	✓	Medium	●
The risk that expenditure and associated creditor balances is not complete	Significant	↔	✓	Medium	●
Valuation of land and buildings	Significant	↔	✗	High	●
Valuation of council dwellings	Significant	↔	✗	High	●
Valuation of investment properties	Significant	↔	✗	High	●
Valuation of net pension fund liability	Significant	↔	✗	High	●
IFRS 16 implementation	Other	↔	✗	Medium	●
Group accounts	Other	↔	✗	Low	●
Reinforced autoclaved aerated concrete (RAAC)	Other	↔	✗	Low	●

↑ Assessed risk increase since Audit Plan

↔ Assessed risk consistent with Audit Plan

↓ Assessed risk decrease since Audit Plan

● Audit work is complete.

● Audit work started but not completed

● Audit work has not started.

# Significant risks (1)

We report the procedures completed to date in relation to each significant risk and the related results. For areas where the full planned procedures were not completed, we are unable to provide any assurance over the related risk.

Risk identified	Audit procedures performed	Key observations
<p><b>Management override of controls</b></p> <p><b>Group and Council</b></p> <p>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>We have:</p> <ul style="list-style-type: none"> <li>evaluated the design and implementation of management controls over journals;</li> <li>analysed the journals listing and determined the criteria for selecting high risk unusual journals;</li> <li>identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and</li> <li>reviewed and tested transfers between the General Fund and HRA</li> </ul> <p>We have been unable to:</p> <ul style="list-style-type: none"> <li>gain an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> <li>evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>	<p>We were unable to complete all planned audit procedures relating to the risk of management override of controls, as required by ISA 240. As a result, we have not obtained the audit evidence necessary to conclude on this risk.</p> <p>We have raised some recommendations to management around the user access to journals within the Authority. More details can be found on page 43 of this report.</p> <p>Given that all planned areas of testing for this significant risk has not been completed, No overall conclusion will be formed. We anticipate our opinion will be disclaimed as we have no assurance over management override of controls.</p>

## Significant risks (2)

Risk identified	Audit procedures performed	Key observations
<p><b>The risk of fraud in revenue recognition Group</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have rebutted the risk of fraud in revenue recognition for the Council's revenue streams. This is due to the low fraud risk in the nature of the underlying transactions.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>tested on sample basis of invoices issued in the period prior to and following 31 March 2025 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.</li> </ul> <p>We have been unable to:</p> <ul style="list-style-type: none"> <li>evaluate the Group's accounting policy for recognition of income for appropriateness and compliance with the Code;</li> <li>update our understanding of the system for accounting for the income and evaluate the design of associated processes and controls for the subsidiary revenue streams; and</li> <li>agree on a sample basis relevant income and year end receivable/income accruals to invoices and cash payment or other supporting evidence.</li> </ul>	<p>We were unable to complete all planned audit procedures relating to the significant risk of fraud in revenue recognition for the Group. As a result, we have not obtained the audit evidence required to conclude on this risk.</p> <p>Given that all planned areas of testing for this significant risk has not been completed, No overall conclusion will be formed. We anticipate our opinion will be disclaimed as we have no assurance over the risk of fraud in revenue recognition.</p>

## Significant risks (3)

### Risk identified

The risk that expenditure and associated creditor balances is not complete

#### Group and Council

Under Practice Note 10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

We have carried out a risk assessment of all expenditure streams for the Council and Group. We have assessed that all expenditure streams, except for those listed below, as being at greater risk of being manipulated and as such we have identified a significant risk of fraud in these expenditure streams. We have rebutted the risk in the following expenditure streams:

- payroll related expenditure;
- collection fund, housing benefits and housing revenue account revenue expenditure;
- depreciation, amortisation and impairment and;
- interest payments

All other expenditure streams are deemed significant risks.

### Audit procedures performed

We have:

- updated our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls;
- tested on sample basis of invoices received and payments made in the period following 31 March 2025 to determine whether expenditure is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.
- reviewed the conditions associated with the exceptional financial support

We have been unable to:

- evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code.

### Key observations

We were unable to complete all planned audit procedures relating to the significant risk that expenditure and associated creditor balance is not complete. As a result, we have not obtained the audit evidence required to conclude on this risk.

Given that all planned areas of testing for this significant risk has not been completed, No overall conclusion will be formed. We anticipate our opinion will be disclaimed.

# Significant risks (4)

## Risk identified

### Valuation of land and buildings

#### Council

The Council carries out the valuation of its operational land and buildings on a rolling five yearly basis. The valuation of these assets represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings as a significant risk, particularly focused on the valuers' key assumptions and inputs to the valuations.

### Valuation of council dwellings

#### Council

The Council dwellings are subject to annual reviews and full revaluations every five years for the whole stock. The valuer has adopted the beacon approach when valuing the housing stock. This valuation approach uses a particular property or set of properties as a benchmark for assessing the value of similar properties with the same characteristics (i.e. location, size, condition, and other relevant factors).

This valuation represents a significant estimate by management as the council has considered the selection of distinct Asset Groups within the housing area. These Asset Groups are chosen to reflect the areas in which individual value markets operate.

## Audit procedures performed

For the Valuation of land and buildings, we were only able to complete a reconciliation to confirm the valuations had been updated in the register and this was reflected in the accounts. We were unable to complete planned procedures to consider the appropriateness of the approach, estimates and judgements applied by management and the valuer or other associated procedures and are therefore unable to conclude that the carrying value of land and buildings are materially correct at the year-end.

For the Valuation of council dwellings, we were only able to complete a reconciliation to confirm the valuations had been updated in the register and this was reflected in the accounts. We were unable to complete planned procedures to consider the appropriateness of the approach, estimates and judgements applied by management and the valuer or other associated procedures and are therefore unable to conclude that the carrying value of council dwellings are materially correct at the year-end.

## Key observations

Given that all planned areas of testing for this significant risk has not been completed, no assurance is provided over this risk at the date of this report. We anticipate our opinion will be disclaimed.

Given that all planned areas of testing for this significant risk has not been completed, no assurance is provided over this risk at the date of this report. We anticipate our opinion will be disclaimed.

## Significant risks (5)

Risk identified	Audit procedures performed	Key observations
<p data-bbox="264 419 677 444"><b>Valuation of investment property</b></p> <p data-bbox="264 465 504 489"><b>Group and Council</b></p> <p data-bbox="264 522 894 748">The Council revalue its Investment Properties on an annual basis to ensure that these assets are held at Fair Value at the financial statements date. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p>	<p data-bbox="945 419 1556 768">For the Valuation of investment properties, we were only able to complete a reconciliation to confirm the valuations had been updated in the register and this was reflected in the accounts. We were unable to complete planned procedures to consider the appropriateness of the approach, estimates and judgements applied by management and the valuer or other associated procedures and are therefore unable to conclude that the carrying value of investment properties are materially correct at the year-end.</p>	<p data-bbox="1577 419 2175 568">Given that all planned areas of testing for this significant risk has not been completed, no assurance is provided over this risk at the date of this report. We anticipate our opinion will be disclaimed.</p>

# Significant risks (6)

## Risk identified

### Valuation of net pension liability

#### Council

The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net defined benefit liability, 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 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. 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.

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 a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in the calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's net pension liability as a significant risk.

## 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.
  - assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.
  - 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.
  - obtained assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- (continued)

## Key observations

We were unable to complete all planned audit procedures relating to the significant risk associated with the valuation of net pension liability. As a result, we did not obtain sufficient appropriate audit evidence to conclude on this risk.

The audit work completed to date has not identified any significant matters in respect of this identified risk.

(continued)

# Significant risks (7)

Risk identified	Audit procedures performed	Key observations
Valuation of net pension liability Council	<p>We have been unable to:</p> <ul style="list-style-type: none"> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; and</li> <li>• 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</li> </ul>	<p>We noted that some disclosures within the notes to the core financial statements were inconsistent with the actuarial report and therefore required amendment. Management has accepted these recommendations. However, at the date of this report, we have not been able to confirm that the amendments have been actioned. Further details on the findings can be found on page 39.</p> <p>Given that all planned areas of testing for this significant risk has not been completed, no assurance is provided over this risk at the date of this report. We anticipate our opinion will be disclaimed.</p>

# Other risks (1)

Risk identified	Audit procedures performed	Key observations
<p data-bbox="264 334 555 357"><b>IFRS 16 implementation</b></p> <p data-bbox="264 401 759 589">IFRS 16 was to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17.</p> <p data-bbox="264 634 759 922">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.</p>	<p data-bbox="843 334 1141 357">We have been unable to:</p> <ul data-bbox="843 379 1574 871" style="list-style-type: none"> <li data-bbox="843 379 1574 468">• review the Council's implementation plan and assess the process followed to transition to IFRS 16, ensuring compliance with the standard's requirements.</li> <li data-bbox="843 491 1574 579">• assess the design effectiveness of internal controls related to the identification, measurement, and disclosure of leases under IFRS 16.</li> <li data-bbox="843 602 1574 691">• verify the accuracy and completeness of lease data by performing substantive testing of lease agreements, lease payments, and related documentation.</li> <li data-bbox="843 711 1574 771">• review the application of judgement and estimation carried out by management</li> <li data-bbox="843 782 1574 871">• review the Council's disclosures related to leases under IFRS 16 to ensure completeness, accuracy, and compliance with the standard's disclosure requirements.</li> </ul>	<p data-bbox="1600 334 2280 394">2024/25 is the Authority's first year of applying IFRS 16 Leases.</p> <p data-bbox="1600 411 2280 536">Management state that IFRS 16 has been applied accordingly. However, the working papers and supporting information for the implementation have not been provided.</p> <p data-bbox="1600 554 2280 642">In the absence of this evidence, assurance cannot be obtained over the related balances and disclosures, and compliance with IFRS 16 cannot be confirmed.</p> <p data-bbox="1600 659 2280 722">We therefore have no assurance that the requirements of IFRS 16 have been complied with.</p>

## Other risks (2)

### Risk identified

#### Group accounts

The Council has faced ongoing delays in producing its group accounts over a number of years. This has meant that the group accounts have not been appropriately assessed for errors and deficiencies in the financial reporting.

### Audit procedures performed

We have:

- reviewed the group accounting disclosures are in accordance with the Code

We have been unable to:

- agree consolidation schedules to supporting records
- test material consolidating adjustments to supporting records.

### Key observations

As of the date of drafting this report, management has not provided the consolidation schedules/working papers to support the group accounts. Without these key documents, we are unable to fully comment on the balances and disclosures within the group accounts. Notwithstanding, we have performed a high-level review of the group accounts and raised questions for management consideration and highlighted where obvious changes are required in the disclosures.

Further details of these changes can be found on page 40.

#### Reinforced autoclaved aerated concrete (RAAC)

In 2023, the Council identified RAAC concrete in its headquarters in Gun Wharf, Chatham. The building is set to undergo a programme of essential repairs and improvements. Councillors approved the addition to the capital programme of £22 million, funded through a combination of borrowing, capital receipts and revenue savings.

We have been unable to:

- discuss with management and understand the steps taken to identify RAAC in its other buildings
- assess the impact of RAAC on the building's valuation.
- evaluate the adequacy of related disclosures in the financial statements.

We planned to discuss with management and understand the steps taken to identify RAAC in its other buildings, assess the impact of RAAC on the building's valuation and evaluate the adequacy of related disclosures in the financial statements. The planned audit procedures related to this identified risk remains outstanding. Therefore, we are unable to comment on the appropriateness of the related disclosures within the accounts.

# 04 Other findings

## Other findings – accounting policies

Due to the disclaimer of opinion and incomplete audit testing, no assurance is provided over the Authority's accounting policies (selection, compliance and application). Any remarks in this section are descriptive and do not constitute an audit conclusion.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue and Expenditure recognition</b>	The Authority recognises income and expenditure when the activity occurs, not when cash moves. It applies a £10,000 de minimis for accruals (unless a lower amount is significant to the service), recognises contract revenue as performance obligations are met, recognises costs when goods or services are received, and records debtors and creditors where cash has not yet settled.	<p>Based on the policy and without full testing of its design or application, the Authority's revenue and expenditure recognition approach appears broadly consistent with IFRS principles such as;</p> <ul style="list-style-type: none"> <li>• recognition of income and expenditure on an accrual basis; and</li> <li>• contract income recognised as performance obligations are satisfied (IFRS 15).</li> </ul> <p>There is no universal, legally mandated "de minimis" level for general accrued expenses that applies to all Authorities; rather, thresholds are set by individual Authorities based on their own materiality policies for financial reporting. Medway's de minimis level is broadly in line with authorities of a similar size.</p>	No overall conclusion formed this year, as our opinion has been disclaimed
<b>Valuation methods of Property, Plant and Equipment</b>	<p>The Authority applies different valuation bases by asset class (e.g., existing use value (EUV), EUV-SH (for social housing), depreciated replacement cost (DRC) for specialist assets, fair value for surplus); short-life/low-value non-property assets may use depreciated historical cost as a proxy.</p> <p>Where there is no market evidence, DRC is used as an estimate of current value. Assets measured at current value are revalued regularly (at least every five years) to ensure carrying amounts are not materially different at year-end. Upward revaluations go to the Revaluation Reserve (unless reversing a prior CIES loss); decreases first use any Reserve balance, with any excess charged to CIES. The Revaluation Reserve holds gains since 1 April 2007; earlier gains are in the Capital Adjustment Account.</p>	Based on the policy and without full testing of its design or application, The policy is broadly consistent with IFRS-based local authority requirements (IAS 16 as interpreted by the CIPFA Code). It sets out suitable measurement bases by asset class. The treatment of revaluation gains/losses via the Revaluation Reserve and CIES aligns with Code/IAS 16 mechanics, and the policy acknowledges the need for revaluations sufficiently regularly with a five-year minimum cycle.	No overall conclusion formed this year, as our opinion has been disclaimed

# Other findings – key judgements and estimates (1)

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
<b>Valuation of land and buildings</b> £383m at 31 March 2025	<p>The Authority carries out the valuation of its operational land and buildings on a rolling five yearly basis. The valuation of these assets represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Other land and buildings comprises of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged both internal and external valuers to complete the valuation of properties as at 31 Mar 2025 on a five yearly cyclical basis.</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>

## Other findings – key judgements and estimates (2)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<b>Valuation of council dwellings</b> £195m at 31 March 2025	<p>The Authority owns 3,032 dwellings and revalues these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance stipulates that either the use of beacon methodology or discounted cash flow can be used to value council dwelling properties. The Authority has applied the beacon valuation method which entails a detailed valuation of representative property types which is then applied to similar properties. The Authority has engaged its external valuers to complete the valuation of these properties. The year end valuation of council dwellings was £195m, a net increase of £12m from 2023/24 (£183m).</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>
<b>Valuation of investment property</b> £19m at 31 March 2025	<p>The Authority has engaged its external valuers to complete the annual valuation of investment properties held at fair value as at 31 March 2025.</p> <p>The total year end valuation of investment property was £19m, a net increase of £1m from 2023/24 (£18m).</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>

## Other findings – key judgements and estimates (3)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p><b>Valuation of net pension liability</b> £3.193m at 31 March 2025</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Authority's total net pension liability at 31 March 2025 is £3.193m (PY net pension asset of £5.904m) comprising of Local Government and unfunded defined benefit pension scheme obligations. The Authority uses actuary Barnet Waddingham to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The full actuarial valuation impacting the 2024/25 disclosures was completed in 2022. The latest full valuation was completed in 2025 with reports due in 2026.</p> <p>Given the value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>

## Other findings – key judgements and estimates (4)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<b>Provision for NDR appeals</b> £762k at 31 March 2025	<p>The Authority is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to calculate the level of provision required. The Authority's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision has decreased by £1.262m in 2024/25. The appeals provision in 2023/24 was £2.024m</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>
<b>Recognition and presentation of grant income</b> £48m in 2024/25 (Credited to Taxation and nonspecific Grant income)	<p>Under the CIPFA Code (adapting IAS 20), grant income is recognised when there is reasonable assurance that conditions will be met and the grant will be received.</p> <p>Where repayable conditions exist, cash received is deferred as Grants Receipts in Advance until conditions are satisfied.</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>
£302m in 2024/25 (Credited to services)	<p>If the Authority controls the specified goods/services and is primarily responsible for the grant funds, it recognises income gross as principal; if it merely arranges for another party to provide the goods/services, it acts as agent and recognises only any fee/commission, treating pass-through amounts accordingly.</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>
£8.519m in 2024/25 (Grants Received in advance)	<p>If the Authority controls the specified goods/services and is primarily responsible for the grant funds, it recognises income gross as principal; if it merely arranges for another party to provide the goods/services, it acts as agent and recognises only any fee/commission, treating pass-through amounts accordingly.</p>	<p>As at the date of this report, we have not completed the audit procedures necessary to evaluate the appropriateness of this key estimate. Accordingly, we do not express a conclusion on its appropriateness, and no assurance is provided in this area.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</p>

## Other findings – key judgements and estimates (5)

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p><b>Minimum revenue provision</b> £6.931m in 2024/25</p>	<p>The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £6.931m, a net decrease of £415k from 2023/24. This represents a 1% charge against the general fund capital financing requirement (CFR).</p> <p>In our view, an effective MRP of around 2% (or higher) of the General Fund CFR is generally reasonable for a typical asset-life profile, whereas a ~1% charge suggests very slow repayment and warrants review unless clearly justified.</p> <p>This judgement is in line with statutory guidance that the MRP should be prudent and broadly match the period over which assets provide benefits. It also reflects past practice, where legacy supported debt was typically provided for at around 2–4% of the CFR under earlier methods.</p>	<p>In our 2024/25 Auditors Annual Report (AAR), we note that the Authority continues to not charge MRP to its revenue budget for the capital value of £76 million in loans made to its wholly owned subsidiary, Medway Development Company. This is based on judgement between 'performing' and 'non-performing' loans. Medway Development Company had negative reserves of £10m at 31 March 2025 and therefore the approach to not charge MRP defers potential revenue costs but increases risk.</p> <p>Under normal audit circumstances, and outside of the national backstop environment, we would expect management to formally review this treatment and where necessary, restate MRP charges to reflect a compliant and prudent approach.</p> <p>However, due to the significant time constraints associated with the statutory backstop deadline, a detailed review has not been performed and no adjustments have been made to the 2024/25 financial statements in respect of MRP.</p> <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p>	<p>No overall conclusion formed this year, as our opinion has been disclaimed</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.

Our audit work on IT identified one control recommendation which we have raised to management. Please refer to page 42 for further details.

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	
Integra Centros (Integra)	Detailed ITGC assessment (design effectiveness only)	 Green	 Green	 Green	 Black	Management Override 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

# 05 Communication requirements and other responsibilities

## Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any incidents in the period, and no other issues have been identified during the course of our audit procedures to date. This conclusion is subject to the completion of the audit procedures for the financial year 2024/25.
Matters in relation to related parties	Our audit procedures to date has not identified any undisclosed related parties or related party transactions. However, this conclusion is subject to potential changes pending the completion of any outstanding audit work for 2024/25.
Matters in relation to laws and regulations	We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work. This conclusion is subject to the completion of the audit procedures for the financial year 2024/25.
Written representations	A letter of representation will be requested from management at the completion stage of the audit.
Confirmation requests from third parties	We requested permission from management to send confirmation requests to its banking providers, investment and borrowing counterparties. This permission was granted, and the requests were sent by July 2025. As at the date of drafting this report, we are still awaiting responses from five counterparties —two associated with the Authority's borrowings and the other three pertaining to the investments held by the Authority. We are therefore currently unable to conclude our audit procedures on the stated areas.
Disclosures	Our review of the accounts to date has identified material omissions in the financial statements. A summary of the audit findings can be found on page 38 to 40 of this report.
Audit evidence and explanations	<p>While conducting sample testing of transactions across multiple areas of the accounts, we found; samples lacking sufficient supporting evidence, instances where the evidence provided did not align with the selected sample, and cases where the samples did not reconcile appropriately. This indicates a deficiency in the Authority's record-keeping practices.</p> <p>As a result, we have raised an audit recommendation in page 45 of this report.</p>
Other matters	The Authority has faced challenges with its resourcing across a number of its services. This has resulted in reduced capacity that has affected timely responses to audit requests. The audit fieldwork was concluded on 16 January 2026 as further detailed testing was unlikely to change the expected audit opinion or outcomes. A disclaimer of opinion on the 2024/25 financial statements is scheduled to be issued before the 27 February 2026 backstop date.

# Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 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.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>• the nature of the Authority and the environment in which it operates</li> <li>• the Authority’s financial reporting framework</li> <li>• the Authority’s system of internal control for identifying events or conditions relevant to going concern</li> <li>• management’s going concern assessment.</li> </ul> <p>However, as this year’s audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>• a material uncertainty related to going concern has not been identified</li> <li>• management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

# 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 overall conclusion has been formed this year. This is because of the limitations arising from the absence of assurance on opening balances and the challenges identified during the 2024/25 audit process will prevent us from issuing an unqualified opinion on the 2024/25 financial statements. The significance of the matter means that we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</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"> <li>• 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,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have identified significant weaknesses in the Authority’s arrangements to secure value for money. Please refer to our accompanying interim Auditors Annual Report for more details</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>At this stage, we do not intend to issue certificates along with the audit opinions at the conclusion of the 2024/25 audit until we receive additional instructions from NAO that their work in respect of their 2024/25 audit is complete.</p>

# 06 Audit adjustments and Action plan

# Audit adjustments (1)

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

## Impact of adjusted misstatements

No 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

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the course of the audit. At the date of this report, we have not been able to confirm that the amendments have been actioned:

Disclosure	Misclassification or change identified
Throughout	A number of alignment, typographical and casting 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.
Throughout	A number of inconsistent disclosures between prior year 2023/24 accounts and the comparative figures within the 2024/25 financial statements. Management should assess whether these differences are due to prior period adjustments and where this is the case, detailed disclosures clarifying the changes made are required with the comparative figures labelled as 'restated'.
Accounting policies	Management should review the Authority's accounting policies paying attention to the following identified matters: <ul style="list-style-type: none"> <li>Inconsistencies in Note 2 (Accounting standards issued but not yet adopted) as IFRS 16 is now effective.</li> <li>Inconsistencies between Note 4 (Assumptions made about the future and other major sources of estimation uncertainty) and other supporting notes to the financial statements.</li> </ul>
Movement in reserves statement (MIRS)	Management should review the disclosures within the MIRS as some of the figures are inconsistent with other areas of the accounts.
Note 14. Officers Remuneration	Our work has identified the following matters: <ul style="list-style-type: none"> <li>All individuals earning over £150k are required to be named.</li> <li>For one of the senior officers, a difference has been noted between the individual's payslip and disclosure within the statement of accounts. Management should review this discrepancy.</li> </ul>

## Audit adjustments (2)

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

### Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified
<b>Note 15. External Audit Costs</b>	The 'Fees payable to GT for the certification of Grant Claims and other services provided by GT' is currently disclosed as TBC. This is not correct. Management should disclose an appropriate figure within this note based on the best estimate available.
<b>Note 27. Financial Instruments</b>	The disclosures within the financial instrument note does not reconcile with the disclosures within the balance sheet. Management should review the financial instruments note accordingly.
<b>Balance sheet, Note 27 &amp; Note 42 (Long &amp; Short-term borrowings)</b>	The audit team have identified a misclassification between long term and short-term borrowings. We have identified three long term borrowings worth £5m each (£15m total) where the maturity date is before 31/03/2026. Thus, these should be classified as short term borrowings. This is a material disclosure error, and the Authority have agreed to amend this in the accounts.
<b>Note 38. Defined Benefit Pension Schemes</b>	<p>The audit team have identified some inconsistencies between the draft financial statements and the actuarial report provided by management's actuary. Exceptions identified are summarised below:</p> <ul style="list-style-type: none"> <li>- RPI Inflation Rate (Current Year): Incorrectly stated as 2.95%; to be adjusted to 3.2%.</li> <li>- RPI Inflation Rate (Prior Year): Incorrectly stated as 3.2%; to be adjusted to 3.25%.</li> <li>- Salary Increase Rate (Prior Year): Incorrectly stated as 4.2%; to be adjusted to 3.95%.</li> <li>- Discount Rate: Incorrectly stated as 2.35%; to be adjusted to 5.8%.</li> </ul>

## Audit adjustments (3)

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

### Misclassification and disclosure changes (continued)

Disclosure	Misclassification or change identified
<b>Collection Fund (note 2)</b>	The audit team have identified that the rateable value of businesses within the Authority is £253.7m rather than the £251.8m amount currently disclosed within the accounts. This is a difference of £1.9million.
<b>Group accounts</b>	<p>Management should review the current disclosures within the group accounts with particular attention to the following identified matters:</p> <ul style="list-style-type: none"> <li>• The Group Comprehensive Income and Expenditure Statement is missing some line entries such as the remeasurement of the Pension Liability/Asset in prior year transactions, the line for Surplus/Deficit on provision of services and the results from the Authority's joint venture</li> <li>• All material balances presented in the Group balance sheet should have accompanying notes.</li> <li>• Present the full disclosure of the Group Movement in reserve statement</li> <li>• The Group cashflow statement should be reviewed due to inconsistency noted.</li> </ul>

## Audit adjustments (4)

### 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	Audit comments
<p><b>Note 21 Property, Plant &amp; Equipment (Highways Infrastructure assets)</b></p> <p>Our testing of Highways Infrastructure additions identified two items (£254k and £6k; total £261k) recorded in 2024/25 that relate to 2023/24 expenditure. The £254k item is above the Authority's accrual threshold and should have been accrued in 2023/24; the £6k item has been erroneously recognised in both 2023/24 and 2024/25. This results in a factual overstatement of £261k in 2024/25 capital expenditure. Extrapolating this error to the infrastructure additions population of £9.0m gives a projected overstatement of £2.367m. This misstatement remains unadjusted.</p>	0	CR Infrastructure assets £2,367k	0	0	Adjusted via movement in reserves statement
<b>Overall impact of current year unadjusted misstatements</b>	0	(2,367)	0	0	

# Action plan (1)

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, to date 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
<p>● Low</p>	<p><b>Weak password configuration settings on Integra</b></p> <p>On inspection of the Integra password settings, we noted that the account lockout duration is set at 1 minute. This is deemed to be a short lockout duration.</p> <p><b>Risk</b></p> <p>A lack of robust password settings may allow financial information to be compromised by unauthorised users. In particular, a short lockout duration makes it easier for attackers to repeatedly attempt password combinations until they succeed, increasing the risk of unauthorized access.</p>	<p>The following recommendations are noted:</p> <ul style="list-style-type: none"> <li>• The lockout duration should be extended to a longer period, such as 30 minutes.</li> <li>• The Authority should ensure that password settings configured on the Integra are in line with the organisation's password policy and meeting the best practice guidelines such as those recommended by National Cyber Security Centre (NCSC).</li> </ul> <p><b>Management response</b></p> <p>We have extended the lockout duration to 30 minutes. We have also read through the guidelines provided by NCSC and have made some further changes to our settings, this includes the minimum time between changes, which has been increased this to 90 days. The current configuration does not permit a higher setting for this control.</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 (2)

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	<p><b>User access to post journals.</b></p> <p>As part of our audit testing, we observed that temporary work placement employees are able to post journals. However, when they leave the Authority, their access remains active because the information to disable their access is not communicated.</p> <p><b>Risk</b></p> <p>The failure to disable access for temporary work placement employees after their departure increases the risk of unauthorised access to the Authority’s financial records.</p>	<p>The following recommendation is noted:</p> <ul style="list-style-type: none"> <li>• There should be a formal process established for promptly disabling access for temporary employees upon their departure from the Authority, ensuring that access rights are effectively managed and monitored.</li> </ul> <p><b>Management response</b></p> <p>The finance systems team, responsible for the administration of the finance system will undertake a review to ensure that where possible, only those users that need to be able to post on the system are able to do so, and work with management to ensure that access is disabled promptly for temporary employees upon their departure from the Council.</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 (3)

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	<p><b>Long standing and unreconciled cash items.</b></p> <p>During our review of the cash balance and the debtors balance within the statement of accounts, we identified a large amount of unallocated cash at year-end which has left an unallocated balance of £2 million within the debtors' balance.</p> <p>In addition to this, as part of our review of the bank reconciling items, we have identified long standing reconciling items dating back to as early as 2020 which have not been resolved.</p> <p><b>Risk</b></p> <p>The presence of a large amount of unallocated cash and an unallocated balance of £2 million in the debtors' balance indicates potential issues with cash management and accounting practices. This could lead to financial misstatements, difficulties in cash flow management, and an inability to accurately assess the organization's financial position.</p>	<p>The following recommendations are noted:</p> <ul style="list-style-type: none"> <li>• It is recommended that management perform a thorough review of the unallocated cash and the debtors' balance to identify the reasons for the unallocated amounts. Steps should be taken to allocate these funds appropriately to ensure accurate financial reporting.</li> <li>• An approach should be implemented for reviewing and resolving bank reconciling items regularly, with specific timelines established for closing out longstanding items.</li> </ul> <p><b>Management response</b></p> <p>Management agree to perform a thorough review of the unallocated cash and the debtors' balances, the reasons they were held as unallocated and look to allocate these as quickly as possible. We will continue with our review of business processes to ensure we are both reviewing and resolving bank reconciliation items regularly and ensuring longstanding items are closed within three months.</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 (4)

Assessment	Issue and risk	Recommendations
<p>● High</p>	<p><b>Lack of sufficient supporting documents and working papers.</b></p> <p>While conducting sample testing of transactions across multiple areas of the accounts, we found; samples lacking sufficient supporting evidence, instances where the evidence provided did not align with the selected sample, and cases where the samples did not reconcile appropriately. In some instances, no working papers have been provided. This indicates a deficiency in the Authority's record-keeping practices and further highlights the capacity constraints within the Authority to deal with audit requests.</p> <p><b>Risk</b></p> <p>There is a risk of inaccurate financial reporting as a result of lack of sufficient evidence.</p>	<p>The following recommendations are noted:</p> <ul style="list-style-type: none"> <li>the Authority should implement robust internal controls and transactions and strengthen record-keeping practices. This includes enhancing documentation and evidence for transactions and conducting regular reconciliations to verify the accuracy of information.</li> <li>the Authority should provide training and guidance to staff involved in record-keeping to help improve compliance with established procedures and standards.</li> <li>the Authority should ensure that all working papers supporting the statement of accounts are ready and uploaded for auditors prior to the commencement of the audit.</li> </ul> <p><b>Management response</b></p> <p>Management recognises that improvements need to be made and has already commenced that process, including training sessions where issues have been raised with specific examples provided by Grant Thornton as to the types of evidence required. Planning for the 2025/26 audit is well underway, and we intend to work closely with all services within the Council to ensure the best preparation is undertaken. Further Council wide training sessions have been ongoing, and these will continue to be offered to those involved in the audit of the financial statements. A robust timetable will be set to ensure that all deadlines are met, and the Council can move forwards to obtain a successful audit for 2025/26.</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

## **07 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 30<sup>th</sup> November each year from 2024-25. Our draft AAR accompanies this audit findings report as a separate agenda item.

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 identified significant weaknesses in the Authority's arrangements for financial sustainability and governance and have raised key recommendations as a result. Please refer to our AAR for more details.

# 08 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 independence matters that we would like to report 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:

<b>Matter</b>	<b>Conclusions</b>
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority or 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 Authority or 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 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, group, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person 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 (1)

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats. 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 Medway Council.

<b>Audit fees</b>	<b>Proposed fee</b>
Medway Council Audit	£443,336
Fee variation for in year work*	£0
Fee variation for build back work*	£0
<b>Total</b>	<b>£443,336</b>

\*This represents the cost of any additional work performed by the auditors outside of the agreed scope covered by the scale fee. The above is subject to review by PSAA who will make a final determination.

## Fees and non-audit services (2)

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. The below non-audit services are consistent with the group's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis.

### Audit-related non-audit services

Service	Financial year – Status: Final (F)/Proposed (P) fee	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	2021/22 – Completed: £52,000 (F)	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 for all financial years completed in 2024/25 financial year to date, is low 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 it. These factors all mitigate the perceived self-interest threat to an acceptable level.  To mitigate against the self review threat, the timing of certification work is done after the financial statement audit has completed. In addition, the materiality of the amounts involved in the certification work is relatively low in comparison to the materiality of the financial statements audit therefore it is unlikely that material errors will arise as a result of the work performed on this non audit service.  To mitigate management threats we ensure independence and maintain professional scepticism, establishing clear engagement terms, and involving audit committees as oversight bodies. In addition, the audit team informs management of audit findings. Management decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	2022/23 – In progress: £56,000 (P)	Self review (because GT provides audit services)	
	2023/24 – Not started: £30,000 + £1,200 (daily rate for additional workbooks) (P)	Management threat	
	2024/25 – Not started: TBC		

## Fees and non-audit services (3)

### Audit-related non-audit services

Service	Financial year – Status: Final (F)/Proposed (P) fee	Threats Identified	Safeguards applied
Certification of Teachers Pension Return	2021/22 – In progress: £8,000 (P)	Self-Interest (because this is a recurring fee)  Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work for all financial years completed in 2024/25 financial year to date, is low 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 it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	2022/23 – Not started: £10,000 (P)		
	2023/24 – Not started: £12,500 (P)		
	2024/25 – Not started: £12,500 (P)		
Certification of Housing capital receipts grant	2022/23 – Completed : £10,000 (F)	Management threat	To mitigate against the self review threat , the timing of certification work is done after the financial statement audit has completed. In addition, the materiality of the amounts involved in the certification work is relatively low in comparison to the materiality of the financial statements audit therefore it is unlikely that material errors will arise as a result of the work performed on this non audit service.  To mitigate management threats, we ensure independence and maintain professional scepticism, establishing clear engagement terms, and involving audit committees as oversight bodies. In addition, the audit team informs management of audit findings. Management decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	2023/24 – In progress: £10,000 (P)		
	2024/25 – Not started: £10,000 (P)		

## Fees and non-audit services (4)

### Total audit and non-audit fee 2024/25

(Audit fee) £443,336

(Non-audit fee) £22,500

The above fees are exclusive of VAT and out of pocket expenses.

The Audit fees above agree to the financial statements.

The non-audit services above do not reconcile to the financial statements.

### Reconciliation of fees per the financial statements to total fees above (Non- Audit services)

£

Fees per the financial statement for non-audit services

£TBC

**Reconciling item 1:** Auditors proposed fee for Certification of Teachers Pension Return 2024/25

£12,500

**Reconciling item 2:** Auditors proposed fee for Certification of Housing capital receipts grant 2024/25

£10,000

**Total Non-Audit fee**

**£22,500**

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 Report
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 Report
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.

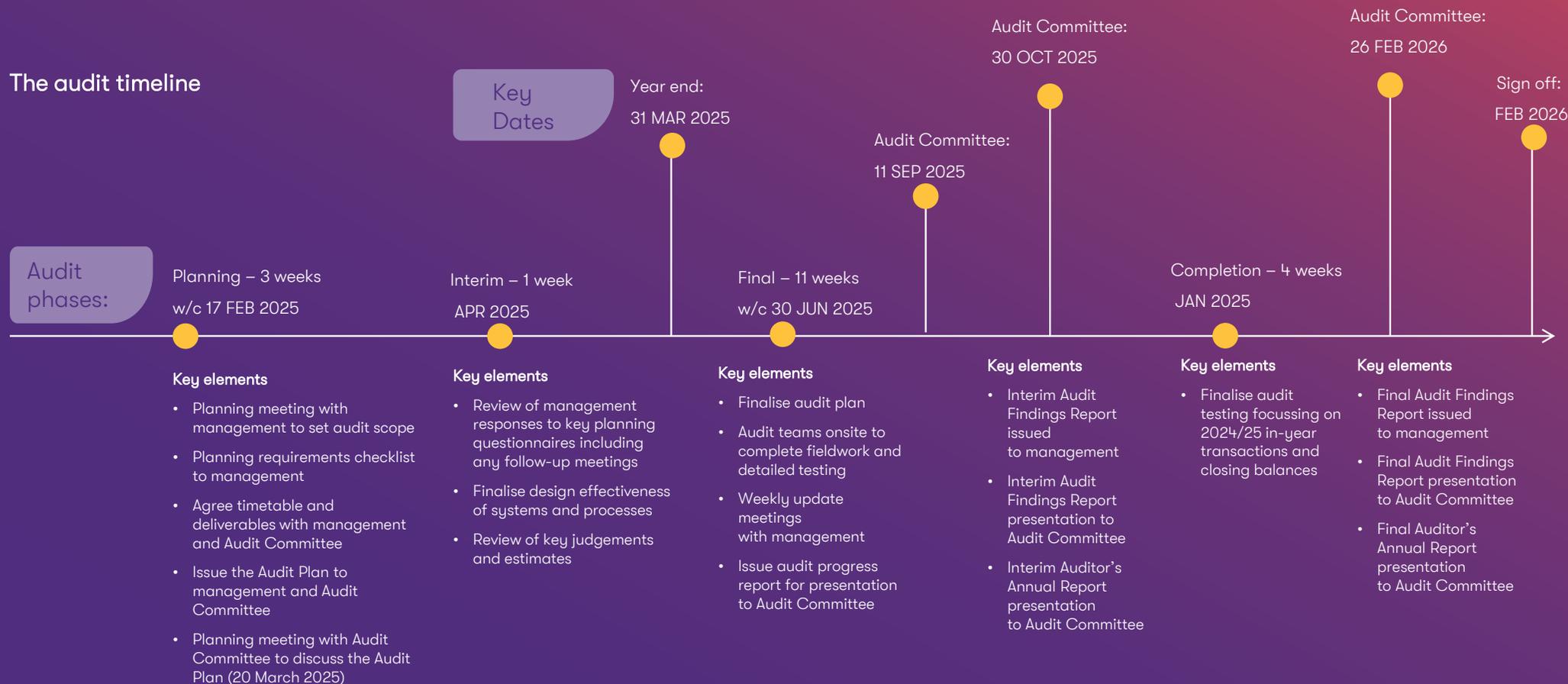
The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## 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. Logistics

## The audit timeline



## C. Financial Statements: audit position as of January 2026

The table below provides an overview of the audit testing status across the key audit areas.

### Work on receipt of financial statements

		Status		Notes
		Planned	Current (Jan 2026)	
<b>Financial statements</b>	Management response to review of financial statements by auditors	●	●	Some of the points raised have received responses from the Authority; others remain outstanding. No further procedures will be carried out.
	Management response to detailed technical review of financial statements	●	●	Some of the points raised have received responses from the Authority; others remain outstanding. No further procedures will be carried out.
	Completion of detailed CIPFA disclosure checklist and verification of casting	●	●	Some of the points raised have received responses from the Authority; others remain outstanding. No further procedures will be carried out.
	Accounting Policy review	●	●	Some of the points raised have received responses from the Authority; others remain outstanding. No further procedures will be carried out.
<b>Trial Balance</b>	Agreement to the financial statements	●	●	The audit team have completed work on this area.
	Agreement of opening balances to prior year statements	●	●	GT have carried out initial reviews and raised with management where the figures do not agree to prior years financial statement. We will review the final statement of accounts to ensure the correct figures are reflected.
	Journal testing	●	●	Work is largely completed by the auditors and subject to internal reviews.

Key	Planned status	Current status
●	N/A	No assurance obtained / work has yet to commence
●	N/A	Audit work started but not completed
●	Incomplete assurance due to backstop disclaimer	Work largely completed (subject to review)
●	All in year assurance obtained, balance audited	All in year assurance obtained planned status achieved

## C. Financial Statements: audit position as of January 2026

Audit area		Testing details		Status		Notes
Statement	Account	Samples	Tested	Planned	Current (Jan 2026)	
CIES	Income – Fees and charges	29	10	●	●	Audit work started but not completed. No further procedures will be carried out.
	Income – Council Tax and NNDR (reliefs)	50	50	●	●	Work is largely completed by the auditors and subject to internal reviews.
	Income – Grants and contributions	44	0	●	●	Audit work started but not completed. No further procedures will be carried out.
	Income – Interest / Investment income	7	6	●	●	Audit work started but not completed. No further procedures will be carried out.
	Expenditure – Employee benefit costs	46	11	●	●	Audit work started but not completed. No further procedures will be carried out.
	Expenditure – Other Service expenses	237	211	●	●	Audit work started but not completed. No further procedures will be carried out.
	Expenditure – Depreciation, Amortisation	n/a	n/a	●	●	Planned status achieved.
	Expenditure – Loss on disposal NCA	8	8	●	●	Planned status achieved.
	Expenditure – Interest payments	o/s	o/s	●	●	Audit work started but not completed. No further procedures will be carried out.
	Expenditure – Housing benefits	9	9	●	●	Work is largely completed by the auditors and subject to internal reviews.
	Surplus/Loss on revaluation of non-current assets	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.
	Remeasurement of the defined benefit liability	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.

Key	Planned status	Current status
●	N/A	No assurance obtained / work has yet to commence
●	N/A	Audit work started but not completed
●	Incomplete assurance due to backstop disclaimer	Work largely completed (subject to review)
●	All in year assurance obtained, balance audited	All in year assurance obtained planned status achieved

## C. Financial Statements: audit position as of January 2026

Audit area		Testing details		Status		Notes
Statement	Account	Sample	Tested	Planned	Current (Jan 2026)	
Balance sheet - Assets	Property, Plant & Equipment (Closing balance)	o/s	o/s	●	●	Audit work started but not completed. No further procedures will be carried out.
	Property, Plant & Equipment (Additions)	12	12	●	●	Work is largely completed by the auditors and subject to internal reviews.
	Heritage assets	6	6	●	●	Work is largely completed by the auditors and subject to internal reviews.
	Investment Property	o/s	o/s	●	●	Audit work started but not completed. No further procedures will be carried out.
	Long-term investments	Confirmations requested		●	●	Audit work started but not completed. No further procedures will be carried out.
	Long-term debtors	3	0	●	●	Audit work started but not completed. No further procedures will be carried out.
	<b>Long-term assets</b>					
	Short-term investments	Confirmations requested		●	●	Audit work started but not completed. No further procedures will be carried out.
	Assets held for sale	1	0	●	●	Audit work started but not completed. No further procedures will be carried out.
	Short-term debtors	58	0	●	●	Audit work started but not completed. No further procedures will be carried out.
	Cash & cash equivalents	Confirmations requested		●	●	Audit work started but not completed. No further procedures will be carried out.
	<b>Current assets</b>					

Key	Planned status	Current status
●	N/A	No assurance obtained / work has yet to commence
●	N/A	Audit work started but not completed
●	Incomplete assurance due to backstop disclaimer	Work largely completed (subject to review)
●	All in year assurance obtained, balance audited	All in year assurance obtained planned status achieved

## C. Financial Statements: audit position as of January 2026

Audit area		Testing details		Status		Notes
Statement	Account	Sample	Tested	Planned	Current (Jan 2026)	
<b>Balance sheet - Liabilities</b>	Cash and Cash Equivalents (Bank overdraft)	Confirmations requested		●	●	Audit work started but not completed. No further procedures will be carried out.
	Long & Short-term borrowing	Confirmations requested		●	●	Audit work started but not completed. No further procedures will be carried out.
	Long & Short-term creditors	76	4	●	●	Audit work started but not completed. No further procedures will be carried out.
	Long & Short-term provisions	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.
	Other long-term liabilities (Leases)	n/a		●	●	No assurance obtained. . No further procedures will be carried out.
	Other long-term liabilities (Pension Liabilities)	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.
	<b>Liabilities</b>					
<b>CIES - disclosures</b>	Income - Completeness	25	13	●	●	Audit work started but not completed. No further procedures will be carried out.
	Expenditure - Completeness	52	40	●	●	Audit work started but not completed. No further procedures will be carried out.
	Payroll - Senior officer remuneration	16	16	●	●	Work is largely completed by the auditors and subject to internal reviews.
	Payroll - Exit packages	5	1	●	●	Audit work started but not completed. No further procedures will be carried out.

Key	Planned status	Current status
●	N/A	No assurance obtained / work has yet to commence
●	N/A	Audit work started but not completed
●	Incomplete assurance due to backstop disclaimer	Work largely completed (subject to review)
●	All in year assurance obtained, balance audited	All in year assurance obtained planned status achieved

## C. Financial Statements: audit position as of January 2026

Audit area		Testing details		Status		Notes
Statement	Account	Sample	Tested	Planned	Current (Jan 2026)	
Other disclosures	Capital commitments (Note 21)	8	8	●	●	Work is largely completed by the auditors and subject to internal reviews.
	Revenue Expenditure Funded from Capital under Statute (Note 29)	10	10	●	●	Work is largely completed by the auditors and subject to internal reviews.
	Leases (Note 30)	n/a		●	●	No assurance obtained. No further procedures will be carried out.
	Financial instruments (Note 27)	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.
	Earmarked, Usable and Unusable reserves (Note 20, 32, 37)	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.
	Capital Expenditure & Capital Financing (Note 29)	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.
	Dedicated school grants (Note 16)	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.
	Pooled budgets (Note 12)	n/a		●	●	Audit work started but not completed. No further procedures will be carried out.

Key	Planned status	Current status
●	N/A	No assurance obtained / work has yet to commence
●	N/A	Audit work started but not completed
●	Incomplete assurance due to backstop disclaimer	Work largely completed (subject to review)
●	All in year assurance obtained, balance audited	All in year assurance obtained planned status achieved

## C. Financial Statements: audit position as of January 2026

Audit area		Testing details		Status		Notes
Statement	Account	Sample	Tested	Planned	Current (Jan 2026)	
<b>Housing Revenue Account</b>	Primary statement	Data provided		●	●	Audit work started but not completed. No further procedures will be carried out.
	Housing Dwelling rents samples	5	0	●	●	Audit work started but not completed. No further procedures will be carried out.
	Associated disclosure notes	Data provided		●	●	Audit work started but not completed. No further procedures will be carried out.
<b>Collection Fund</b>	Primary statement	Data provided		●	●	Audit work started but not completed. No further procedures will be carried out.
	Associated disclosure notes	Data provided		●	●	Audit work started but not completed. No further procedures will be carried out.
<b>Group</b>	Primary statements	Data provided		●	●	Audit work started but not completed. No further procedures will be carried out.
	Consolidation analysis	Requested information		●	●	No assurance obtained. No further procedures will be carried out.
	Associated disclosure notes	Requested information		●	●	No assurance obtained. No further procedures will be carried out.

Key	Planned status	Current status
●	N/A	No assurance obtained / work has yet to commence
●	N/A	Audit work started but not completed
●	Incomplete assurance due to backstop disclaimer	Work largely completed (subject to review)
●	All in year assurance obtained, balance audited	All in year assurance obtained planned status achieved

## D. Draft Audit opinion

### Independent auditor's report to the members of Medway Council

#### Report on the audit of the financial statements

##### Disclaimer of opinion

We were engaged to audit the financial statements of Medway Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise of the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant 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.

We do not express an opinion on the accompanying financial statements of the Authority or the group. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

##### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

We have been unable to obtain sufficient appropriate audit evidence by the backstop date to conclude that the Authority's and group's financial statements for the year ended 31 March 2025 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate evidence over the corresponding figures or whether there was any consequential effect on the Authority and Group Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

We have concluded that the possible effects of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable 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 2023/24, 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.

### Opinion on other matters required by the Code of Audit Practice

The Chief Operating Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's and group's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether 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.

## D. Draft Audit opinion

### Responsibilities of the Authority and the Chief Operating Officer

As explained more fully in the Statement of Responsibilities set out in the accounts, 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 Chief Operating Officer. The Chief Operating Officer 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 Chief Operating Officer 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 Chief Operating Officer 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.

### Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's and the group's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority and group 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.

### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matters described in the basis for disclaimer of opinion section of our 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 except on 25 November 2025:

We identified a significant weakness in the Authority's arrangements for financial sustainability. The Authority remains heavily reliant on Exceptional Financial Support (EFS) and faces significant financial risks due to recurrent overspending and limited financial resilience due to low levels of reserve balances.

We recommended the Authority should urgently accelerate delivery of transformation savings and develop robust contingency measures to manage overspending and financial risk and start to plan savings over a longer period.

On 28 January 2025, we reported significant weakness in the Authority's governance arrangements. The Authority has continued to experience substantial delays in publishing its annual accounts. The 2022/23 accounts were published in December 2024, well after both the original statutory deadline and the revised target. While sector-wide delays are recognised, new government requirements introduced in July 2024 require the Authority to meet much stricter deadlines going forward, with non-compliant authorities to be publicly named.

We recommended that the Authority should publish draft accounts (including group accounts) for 2024/25 in line with their statutory deadline and supported by a comprehensive set of working papers, and sufficient capacity to service an audit to completion. For the year ended 31 March 2025, we concluded that the Authority had partially implemented the recommendation made. The Authority's 2024/25 financial statements were also not published in line with statutory reporting guidelines for audit purposes. Capacity issues in the finance team have continued to impact the audit of the 2024/25 audit of accounts, including delays in the provision of information and responsiveness to audit queries.

We have therefore updated our recommendation. On 25 November 2025 we recommended that the Authority should urgently strengthen its financial reporting and audit-readiness arrangements by increasing finance team capacity and capability and implementing a structured improvement plan. This includes recruiting additional financial reporting expertise, restoring senior finance leadership, and ensuring timely production of high-quality working papers. These improvements are essential for the Authority to produce compliant accounts, support a timely audit, and begin to regain audit assurance.

## D. Draft Audit opinion

### 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 undertake 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 Medway 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 consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect WGA 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.

**Matthew Dean**

**Key Audit Partner**

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

**London**

**xx February 2026**



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