Grant Thornton

Audit Findings (ISA260) Report for Kent Pension Fund

Year ended 31 March 2024

December 2024

Grant Thornton

Private and Confidential

Grant Thornton UK LLP
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Kent Pension Fund
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ME14 1XX

Dear Members of the Governance and Audit Committee,

Audit Findings for Kent Pension Fund for the 31 March 2024

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

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

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

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

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

Parris Williams

Director
For Grant Thornton UK LLP

Contents

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

This Audit Findings Report (AFR) 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. Its contents will be discussed with management and the Governance and Audit Committee.

Parris Williams

Parris Williams
For Grant Thornton UK LLP
Date: 12 December 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kent Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

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

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund 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.

Our audit work was completed remotely during July-November. Our findings are summarised on pages 5 to 16.

We acknowledge that the accounts were provided timely for our review and would like to extend our gratitude to the management for their efforts and cooperation during the audit.

Summary of findings

We have identified an adjustment to the financial statements that resulted in a £10.482m adjustment to the Pension Fund's reported financial position. We have also identified an unadjusted presentational misstatement for £4.735m that impacted on the prior year disclosure. Audit adjustments are detailed in Appendix C.

We identified a significant reclassification disclosure of pooled £265.4m and direct property investments £461.7m from Level 2 to Level 3, totalling £727.1m for the current year and £781m for the prior year. This adjustment has resulted in a Prior Period Adjustment (PPA), which management has reflected in the updated accounts. The adjustment was made due to these investments containing significant unobservable inputs into their valuations so they should be categorised as Level 3. For detail please refer to appendix C.

Audit disclosure amendments arising from our work and agreed with management are also detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B

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

- Receipt of responses to queries in relation to note 15e. Single investments exceeding 5% of net assets available for benefits.
- Receipt of responses to ITGC queries in relation to Altair system.
- Receipt of responses to queries in relation to the key management personnel note.
- Responding to IAS 19 request letters.
- Final review of completed work by senior audit team members.
- Receipt and review of management representation letter.
- Final review of the Pension Fund Annual Report.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Kent County Council is complete.

We have also concluded that the other information to be published with the financial statements is consistent with our knowledge of your organization and the financial statements we have audited.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report along with the audit opinion on the financial statements.

2. Financial Statements

Overview of the scope of our audit

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

For Kent Pension Fund, the Governance and Audit Committee fulfil the role of those charged with governance. We note that there is a separate Pension Committee which considers the draft financial statements and is part of the overall member oversight process.

Audit approach

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

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 12th December 2024 and the finalisation of the administering authority audit.

Outstanding items are set out on the page 4.

2. Financial Statements

Our approach to materiality

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

We have revised the performance materiality at year end based on the updated Gross Assets Figures as at 31 March 2024.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (final)	Pension Fund Amount (planning)	Qualitative factors considered
Materiality for the financial statements	£122,600,000	£118,300,000	This benchmark is determined as a percentage of the Gross assets which has been set at approximately 1.5%. Our materiality has increased from planning (which was based on audited asset values at 31 March 2023) as a result of our risk assessment not changing and the increase of asset valuations at 31 March 2024
Performance materiality	£91,950,000	£88,750,000	Performance Materiality is based on a percentage (75%) of the overall materiality.
Trivial matters	£6,100,000	£5,900,000	Triviality is based on a percentage (5%) of the overall materiality.
Specific materiality for fund account	£35,350,000	£31,850,000	This benchmark is determined as a percentage of the fund expenditure which has been determined as 10%. Our materiality has increased from planning (based upon audited expenditure at 31 March 2023) as a result of our risk assessment not changing and the increase in the reported fund account expenditure (mainly as a result of the 10.1% pensions increase) at 31 March 2024.
Specific performance materiality for fund account	£26,500,000	£23,900,000	Performance Materiality is based on a percentage (75%) of the overall materiality of the fund account.

2. Financial Statements: Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
ISA240 fraudulent revenue recognition - Rebutted Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies.	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: ▪ there is little incentive to manipulate revenue recognition; ▪ opportunities to manipulate revenue recognition are very limited; and ▪ the culture and ethical frameworks of local authorities, including the Pension Fund, mean that all forms of fraud are seen as unacceptable. We have additionally assessed the risk as per Practice Note 10 around the risk of material misstatement due to fraud related to expenditure. Based on our assessment, we did not consider this to be a significant risk for the Pension fund when producing our audit plan. We have reconsidered our original assessment as a part of our audit work on the Pension Fund's financial statements and are satisfied that this judgement continues to remain appropriate. We have performed testing on expenditure and no matters have arisen that requires us to reassess our initial judgement in relation to fraud within expenditure.
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	In response to this risk, we have: • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgments applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have not identified changes to the accounting policies or the estimation process for 2023/24 Our audit work performed identified a control deficiency in relation to authorisation of journals which has been detailed in appendix B of this document. Other than the above finding, our audit work has not identified any material issues in relation to management override of control.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 investments (£1,492.9m as at 31 March 2024) The Pension Fund values its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature level 3 investment valuation lack observable inputs. These valuation therefore represents a significant estimates by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimates to changes in key assumptions. Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2024.	In response to this risk, we have: • evaluated management's processes and design & implementation of relevant controls for valuing Level 3 investments; • reviewed the nature and basis of estimated values and considered what assurance management has over the year-end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently requested year-end confirmations from investment managers and the custodian for all investments held; • for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening period; • in the absence of available audited accounts, evaluated the competence, capabilities, and objectivity of the valuation expert; • reviewed investment manager service auditor report on the design and operating effectiveness of internal controls; and • where appropriate, written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. Findings: From the audit work completed to date, there is one adjustment of £10.482m, refer to Appendix C for details. Moreover, our audit work performed on level 2 investments, identified a classification error in relation to Fair value hierarchy where directly held properties and pooled property investments were classified as level 2 when these should have been classified as level 3. This error also led to a prior period adjustment in the disclosure to the accounts. For detail of error please refer to pages 10-11 and appendix C of this document. Conclusion: Other than the error mentioned above, our audit work has not identified any other material issues in relation to the Closing Valuation of Level 3 investments.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Directly Held Property (£461.7m as at 31 March 2024) The pension fund has directly held property within its Level 2 investment portfolio. A full valuation is carried out by management's expert on an annual basis as at 31 December, and monthly indexation is applied to ensure that the fair value of these properties are materially accurate between the valuation date and the financial reporting date. The valuation represents a significant estimate by management in the financial statements, due to the size of the asset values involved and sensitivity to changes in assumptions applied.	In response to this risk, we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work; • independently requested year-end confirmations from investment managers and the custodian; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuations were carried out; • engaged our own valuer to assess the instructions to the Fund's valuer, the Fund's valuer's report and the assumptions that underpin the valuation; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; and • tested, on a sample basis, revaluations made during the year to ensure they have been recorded accurately within Kent Pension Fund's financial records. **Findings:** From the audit work completed to date, there is an adjustment identified related to the reclassification of directly held property from Level 2 to Level 3. We note the adjustment of £461.7m in the current year and £501.5m in the prior year, refer to Appendix C for details. **Conclusion:** Other than the Fair value hierarchy related classification error mentioned above, our audit work has not identified any other material issues in relation to the Closing Valuation of Directly Held Property.

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments – £1,492.9m	The Pension Fund has investments in the following: • Private Equity/Infrastructure funds that in total are valued on the Net Assets Statement as at 31 March 2024 at £763.4m; • Pooled Investments in total are valued on the Net Assets statement as at 31 March 2024 at £2.3m • Pooled property investments that are valued on the Net Assets statement as at 31 March 2024 at £265.4m The Fund revalues its investments on a quarterly basis to ensure that the carrying value is not materially different from the fair value at the financial statement date. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation provided by the Fund Manager, which is usually based on an audited value of the fund as at 31 December 2023, with the valuation rolled forward to 31 March 2024.	The valuation of the Level 3 Investments is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have considered all evidence obtained during the audit, including both corroborative and contradictory audit evidence, when evaluating the appropriateness of these accounting estimates.	● (Green)
Level 3 Investments - (Directly Held Property) £461.7m	The Pension Fund has investments in Property Holdings that in total are valued on the Net Asset Statement as at 31 March 2024. The Fund obtained independent Valuation by Colliers on an annual basis. A full valuation is carried out by management's expert on an annual basis as at 31 December, and monthly indexation is applied to ensure that the fair value of these properties is accurately determined . The valuation for property is based on unobservable inputs that are not corroborated by market data and, therefore, require a higher degree of judgment and estimation. These unobservable inputs include projected rental cash flows, yields etc. It is considered to be significant estimate due to the size of the asset values involved and sensitivity to changes in assumptions applied.	The valuation of the Level 3 Investments (Directly held Property) is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have validated the sources of information used by management, management's point estimate and disclosures relating to this accounting estimate. However, we have identified a reclassification adjustment from Level 2 to Level 3, We note the adjustment of £461.7m in the current year and £501.5m in the prior year, refer to Appendix C for details.	● (Green)

Assessment

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

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments- (excluding directly held property) **£5,025m** While level 2 investments do not carry the same level of inherent risks associated with level 3 investments, there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly.	The Pension Fund has investments in Bonds and Pooled Investment Vehicles that in total are valued on the Net Asset Statement as at 31 March 2024. Whilst these investments themselves are not actively traded on an open market, the underlying investments are and the valuations of these investments are based on the value of these underlying investments at 31 March 2024, or the closest trade date to year-end.	The valuation of the Level 2 Investments(excluding directly held property) is reasonable. We consider management's process is appropriate and key assumptions are neither optimistic or cautious, as we have validated the sources of information used by management, management's point estimate and disclosures relating to this accounting estimate. However , we have identified a reclassification adjustment from Level 2 to Level 3, We note the adjustment of £265.4m in the current year and £280.3 m in the prior year, refer to Appendix C for details.	● (Green)

Assessment

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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Oracle E-Business Suite	[Detailed ITGC assessment (design effectiveness only)]	●	●	●	●	N/A	N/A. No significant deficiencies were identified.
Altair	Detailed ITGC assessment (design effectiveness only)	TBC	TBC	TBC	TBC	Contributions and benefits payable utilise the Altair software within their process	TBC

Assessment

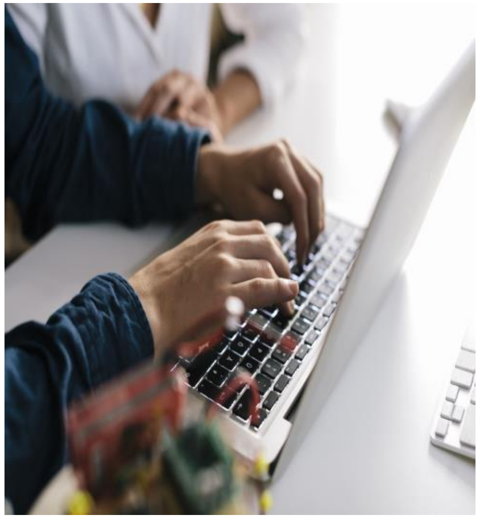
- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls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

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee. 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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation will be requested from the Pension Fund .This will be signed alongside the final draft of the financial statements in conclusion of the audit.
Audit evidence and explanations	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send (a) confirmation request(s) to your custodian, fund managers, and banks. This permission was granted, and the requests were sent. These requests were returned with positive confirmations.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates, and financial statement disclosures. We identified small number of disclosure issues none of which are considered significant, and these are reported to you in appendix B. We plan to issue an unmodified opinion in this respect.

2. Financial Statements: other communication requirements

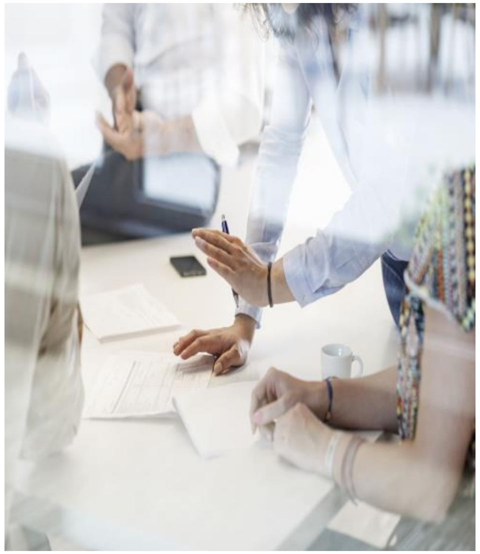
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. 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 Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by Kent County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We plan on completing our work on the Pension Fund Annual Report once the 2023/24 financial statements have been finalised. We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.



3. 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, 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.

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

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

3. Independence and ethics

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund 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 Pension Fund 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 Pension Fund 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 Pension Fund.
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 Pension Fund's board, senior management or staff.

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

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified 2 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Low	**Lack of review of Journals** In our review of management override of control we note that journals can be posted and approved by the same person **Risks** Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increases the risk of errors, omissions, or irregularities going undetected, as there is no independent review of the transactions.	Management should prioritize implementing effective segregation of duties in the journal posting process. This may involve assigning distinct responsibilities for initiating, authorizing, recording, and reviewing journal entries to different individuals or teams. Additionally, regular monitoring, internal audits, and management oversight are essential to ensure compliance **Management response** Journals are included in the master reconciliation performed half yearly and annually which is signed off by Investments, Accounting and Pooling Manager.
● Low	**Outside of General ledger adjustments** We identified from our investment testing work that the investment assets are recorded on book cost in the general ledger and Market values of the investment assets are reconciled and recorded through an outside ledger reconciliation excel sheet. We would expect all the transactions to be routed through general ledger. **Risks** There is an increased risk for human errors and misstatement where investments change in MV are recorded on manual spreadsheet.	When some journals are recorded in a spreadsheet and not in the general ledger system, it can present a risk to the accuracy and completeness of financial reporting. We therefore recommend formalizing the process for recording journals by ensuring that all financial transactions are captured directly in the general ledger system. This helps to maintain a complete and accurate record of all financial activities. **Management response** TBC

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

C. Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
Change in market value of Level 3 at year-end After production of the draft financial statements, management were provided with updated valuation information from investment managers. The net difference was £10,482,000 in relation to Level 3 investments. Management then updated their financial statements for this timing difference. Level 3 Investments were understated by £10,482,000 in the original version of the accounts provided which means that the net assets value in the financial statement was lower. This has now been adjusted in the accounts. We note that this has also resulted in the disclosure amendments to Note 16, 17a & 17b and 18 which relate to your financial instruments notes.	Cr Profit and loss on disposal of investments and changes in the market value of investments (10,482)	Dr Investment assets 10,482	10,482
Overall Impact	Cr(10,482)	Dr 10,482	10,482

C. Audit Adjustments (continued)

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Net Assets Statement - Reclassification of Provision for Doubtful Debt Other investments balances on the financial instrument is exclusive of Provision for doubtful debts amounting to £5,811k. Please note that the provision for doubtful debt need not to be shown separately as financial liabilities but rather should be netted off against the Investments income due (debtor) and therefore reporting the net balance as a financial asset. This has been updated in the accounts.	Management response Agreed to be amended	Yes
Basis of preparation - Note 2 We suggested the Fund should consider making a disclosure in respect of IFRS 16 in Note 2 (Basis of Preparation) - even if it is just to confirm that it does not apply as the PF does not hold any assets as lessee. Client has agreed and included the following disclosure in note 2 : "Adoption of IFRS 16 which is set to come to effect from April 2024, is not expected to have a material impact on the pension fund accounts"	Management response Agreed to be amended	Yes
Summary of significant accounting policies - Note 3 Due to the Prior period adjustment being made as discussed on earlier pages of this document, accounting policy in this regard has also been added to the financial statements.	Management response Agreed to be amended	Yes
Note 3c – Investment Income and Note 14 -Property income and expenditure Note 3c indicated that rental income is adjusted for provision of rent invoiced but collection of which is assessed as doubtful. As per the CIFPA code, the rental income can't be shown as net of doubtful debt. This has been updated to show it as a separate line in Note 14 and update the wording in Note 3c as well.	Management response Agreed to be amended	Yes
Critical judgements in applying accounting policy- Note 4 Note 4 of the accounts did not explain the critical judgement applied. The paragraph states the accounting policy for the directly owned properties which are leased out but did not explain why these are determined to be operating leased assets or why that assessment is regarded as a critical judgement. Management has agreed to amend the Note 4 by including the details on why these are considered to be operating leases and why this is regarded as critical judgement.	Management response Agreed to be amended	Yes
Assumptions made about future and other major sources of estimation uncertainty – Note 5 As per IAS 8, in case of a prior period error (discussed on next tab), the nature of it must be conspicuously disclosed which is also required by IAS 1, especially considering it is for £782m in total. Considering this, the note has been updated by adding more reference to this issue of investments being now classified as level 3 with a brief explanation for this change, for better understandability of the readers of the financial statements.	Management response Agreed to be amended	Yes

C. Audit Adjustments (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Valuation of assets and liabilities carried at fair value – Note 17 Sensitivity of assets valued at level 3 has been updated to include Direct and pooled property analysis for both current year and prior year owing to the adjustment in FV Hierarchy which has been discussed in next point in relation to update in note 17a. Moreover, as this change led to a prior period adjustment, the reason for this change has been detailed under heading "Prior Period Adjustment" in this note as well.	**Management response** Agreed to be amended	Yes
Fair Value Hierarchy – Note 17a Reclassification of Level 2 Investments While performing our work on Investments, we noted that the Pooled property investments of £265.4m (CY), £280.3m (PY), and Property Investments of £461.7m (CY), £501.5m (PY) have been classified as Level 2. Due to significant unobservable inputs being used to measure the fair value of assets, we noted that this should be classified as Level 3. This has resulted in additional disclosure related to Prior Period Adjustment (PPA) which has been added to note 17 of the accounts.	**Management response** Agreed to be amended	Yes
Reconciliation of fair value measurements within level 3 - Note 17b The comparative of the "Reconciliation of fair value measurements within level 3" was missing. Client has updated it now.	**Management response** Agreed to be amended	Yes
Financial Instruments – Note 16, 17 and 18 Changes were made to Financial Instrument Notes 16, 17 and 18 due to classification change of Directly held properties and Pooled Property Investment from Investments Level 2 to Level 3 in FV Hierarchy.. Moreover, this change was also owing to adjustment no.1 of £10.482m explained earlier in audit adjustments tab.	**Management response** Agreed to be amended	Yes
Additional voluntary contributions – Note 23 The additional voluntary contribution for Prudential's had the figures not being disclosed in the accounts. The figures were updated later on the receipt of relevant records from Prudential after which the accounts were updated for it.	**Management response** Agreed to be amended	Yes
Contingent Liability – Note 25 Contingent liability note 25, has been updated to reflect new information which we are now aware of in relation to the update to the Virgin Media case.	**Management response** Agreed to be amended	Yes
Various minor casting/disclosure amendments The accounts were also updated for minor presentation issues. None were material.	**Management response** Agreed to be amended	Yes

C. Audit Adjustments (continued)

Impact of unadjusted misstatements

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

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Reclassification of Provision for Doubtful Debt When the Pension Fund updated the accounts for adjustment number 2 mentioned on page 23, they made the change with respect to the provision for doubtful debt balance in the comparative year as well for £4,735k by reclassifying it from Investment liabilities to Investment assets. Under IAS 8, prior period adjustments are only required where the error in the prior period was material. At £4,735k, the error in the prior period was both not-material but also trivial. We are therefore reporting this adjustment to you as an unadjusted misstatement as it ought not be processed under IAS 8. We understand however that management has made the change to ensure the accounts are comparable under IAS 1.	Dr Investment assets 4,735 Cr Investment Liabilities 4,735	Nil	Nil	Not material
Overall impact	**Nil**	**Nil**	**Nil**	

D. Fees and non-audit services

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

	Fee proposed in Audit Plan	Proposed final fees 2023/204
Kent Pension Fund Audit (Scale fee)	£105,099	£105,099
IAS 19 letters*	£0	£0
ISA 315**	£7,530	£7,530
Total audit fees (excluding VAT)	**£112,629**	**£112,629**

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. Overleaf it sets out our proposed non-audit fee of £3,500 in respect of our planned assurances to the NAO for Ebbsfleet Development Corporation.

**ISA 315 is not included within the published 2023/24 scale fees. The £7,530 is therefore a fee variation that is subject to PSAA approval

Please note that IAS 19 letter fee for 2022/23 is also pending PSAA approval, which will be billed to the pension fund once approved.

D. Fees and non-audit services

Audit and non-audit services

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

Non-audit fees for other services	Proposed fee per the audit plan	Proposed final fee	Threats	Safeguards
Audit Related Services				
IAS 19 Assurances to the NAO in respect of the admitted body Ebbsfleet Development Corporation.	£1,100	£3,500	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 in comparison to the total fee for the audit of £112,629 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. The reason for the fee increase from proposed is because IAS 19 assurances to non LG and NHS bodies are outside of the Code of Practice. As non-audit fees, there is additional ethical procedures we must perform ahead of completing this work.
			Self-review (because GT provides audit services)	We have not prepared the financial information on which our assurances will be used by the requesting auditor to form an opinion on as part of their opinion on the financial statements of the admitted body. Any decisions relating to changing controls over financial information or edits required to financial information arising from our findings will be a decision made by informed management.
			Management	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. The Pension Fund has officers in place who understand the operation of systems and can challenge our recommendations as appropriate. They have sufficient authority or report to the s151 Officer who can make informed decisions in respect of our findings.
Total non-audit fees (excluding VAT)	£1,100	£3,500		

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

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

D. Fees and non-audit services

The fees reconcile to the financial statements as follows:

	Amount	Amount
Audit fees per Note 11		£96,000
Reconciling item i - Redmond review grant received by KCC	£12,646*	
Reconciling item ii – update the IAS 19 assurance letter fee per table above	(£3,500)**	
Reconciling item iii – ISA315 fee variation subject to PSAA approval	£7,530	
Reconciling item iv – rounding difference	(£47)	
Reconciled Total fee per the accounts (excluding VAT)		£112,629
Audit fee per the Audit Findings Report		£112,629

* The audit fee in the accounts is a net figure, after having been adjusted for the Redmond review grant received by the pension fund for support with local audit financial reporting.

** Please note the non-audit fee of £3.5k as per page 24 of this document, has been shown in the accounts as part of audit fees therefore, to reconcile audit fee in the accounts to the audit fee per page 23 of this document, the non-audit fee is appearing as a negative in the table above as ideally the audit and non-audit fee should have been shown separately in the accounts, however considering the amount involved being not material, no audit adjustment has been recommended.

E. National context

National context – audit backlog

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:
Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.
Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.
Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- Consultations on measures to address local audit delays (frc.org.uk)
- Addressing the local audit backlog in England: Consultation - GOV.UK (www.gov.uk)
- Code of Audit Practice Consultation - National Audit Office (NAO)

Our response to the consultation

Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

Impact on Pension Funds

Pension fund accounts fall within the scope of the outlined backstop legislation. Where an Administering Authority accounts may be required to be backstopped this would not automatically apply to the Pension Fund accounts. We expect to be able to issue a separate opinion on the Fund accounts where the Pension Fund audit can be completed.

Update

Following the general election the Minister of State for Housing, Communities and Local Government has proposed backstop legislation which will revise the date of the first backstop for financial years up to and including 2022-23 to December 13 2024.

National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Barnett Waddingham LLP, and showed that the Pension Fund's funding position had improved to 98% (from 90% as at 31 March 2019).The results of the latest triennial valuation are reflected in note 17 to the financial statements. These valuations also provide updated information for the calculation of the net pension liability on employer balance sheets.

F. Draft Audit Opinion

Our Draft audit opinion is included below.

We anticipate we will provide the Pension Fund with an unmodified audit report

Independent auditor's report to the members of Kent County Council on the pension fund financial statements of Kent Pension Fund

Opinion on financial statements

We have audited the financial statements of Kent Pension (the 'Pension Fund') administered by Kent County Council (the 'Authority') for the year ended 31 March 2024, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund 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 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Acting Corporate Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Acting Corporate Director Finance's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

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

Our responsibilities and the responsibilities of the Acting Corporate Director Finance with respect to going concern are described in the relevant sections of this report.

Other information

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

F. Draft Audit opinion continued

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice (2024) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

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

Responsibilities of the Authority and the Acting Corporate Director Finance

As explained more fully in the Statement of Responsibilities for the Statement of 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 Acting Corporate Director Finance. The Acting Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Acting Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the Pension Fund's financial statements, the Acting Corporate Director Finance is responsible for assessing the Pension Fund'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 Pension Fund without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016).

F. Draft Audit opinion continued

We enquired of management and the Governance and Audit Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

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

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries posted which met a range of criteria determined during the course of the audit, in particular those posted around the reporting date which had an impact on the fund's financial position, and
- accounting estimates made in respect of the valuation of level 3 investment assets.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on entries meeting the criteria determined by the audit team;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of level 3 investments, including Private Equity, Infrastructure and direct and pooled property investments;
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

F. Draft Audit opinion continued

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.

Signature:

Parris Williams, Key Audit Partner

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

London

X December 2024

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