

The Audit Findings for Kent County Council

Year ended 31 March 2024





Governance and Audit Committee
Kent County Council
County Hall
Maidstone
ME14 1XQ

12 December 2024

Dear Governance and Audit Committee Members

Audit Findings for Kent County Council for the year ended 31 March 2024

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 will be discussed with the Audit and Governance 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 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2023.pdf).

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

Paul Dossett

Partner
For Grant Thornton UK LLP

Private and Confidential

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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 Council 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.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kent County Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2024 for 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 Council's financial statements give a true and fair view of the financial position of the group and Council and the group and Council'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), Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during July to October. Our findings are summarised on pages 8 to 29. The Council's single entity draft financial statements were published with the appropriate publication notice on 31 May 2024. The suite of supporting working papers were submitted for audit in mid July. The group financial statements and supporting working papers were submitted to us on 29 August 2024, three months after the national deadline and have not yet been published. We have recommended in Appendix B that this is not repeated in 2024/25. As in previous years, the quality of the financial statements and supporting working papers continues to be high evidenced by the relatively small number of adjustments and disclosure issues identified during our audit. There was no impact on useable reserves from the adjustment made to the financial statements.

The Annual Governance Statement (AGS) provided for audit and presented to Governance and Audit Committee members in November 2024 is not yet complete. We have reviewed the draft version but cannot conclude on the AGS until we have reviewed a final version. This remains an outstanding audit matter. We have raised a recommendation on the timeliness of the AGS production and presentation to audit in Appendix B.

We have identified 1 adjustment to the financial statements that have resulted in a £10.4m reduction to expenditure and corresponding increase in assets. We have also identified 6 misstatements from our testing which management have decided not to adjust for. Individually and in aggregate, these misstatements are not material to the financial statements. The net impact of these misstatements would increase expenditure by £40.4m and decrease assets by £40.4m. Details of these can be found in Appendix D. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Four issues arose during the current and prior year audit which we feel is important to give prominence to.

- Schools cash reconciliations – reconciliations are not always prepared by schools as at 31 March, giving rise to differences between the cash book and the bank statement
- Schools salaries account reconciliations – an unadjusted misstatement in the 2022/23 financial year was posted twice in error in 2023/24
- Journal entries posted different than the preparer – this is a long-term issue that is expected to be rectified by the Oracle upgrade in August 2025.
- Over-optimistic assumptions in the calculation of the expected credit losses for Adult Social Care costs – audit has identified a significant difference in our calculation of the provision, noting that the Council intend to make some changes to the provision calculation in 2024/25.

These issues are set out in more detail in the audit findings section of this report

We have raised three new control recommendations for management as a result of our audit work in the current year. These are detailed in Appendix B. We have followed up on prior year control recommendations raised as part of our work and note that four of seven recommendations have been implemented. This is detailed in Appendix C.

1. Headlines – continued

Financial Statements

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

- review of the final draft AGS so that we can ensure information is consistent with the financial statements and meets the requirements of the financial reporting framework;
- review of the updated financial statements;
- receipt of subsequent events confirmation email from management;
- receipt of signed management representation letter; and
- completion of internal review processes and closedown of audit file.

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

Our anticipated audit report opinion will be unmodified. We anticipate signing our opinion shortly after the Governance and Audit Committee on 12 December 2024

1. 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 Council 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 Council'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 Council's arrangements under the following specified criteria:

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

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR), which is presented as a separate paper to the Governance and Audit Committee.

We have identified significant weaknesses in the Council's arrangements for VFM in the following areas:

- Financial sustainability – adult social care overspends
- Financial sustainability – reducing spend on the high needs block
- Governance – implementation of high priority actions from Internal Audit

As such, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit following completion of Whole of Government Accounts procedures.

Significant matters

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

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#). This confirmed the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024 and a 28 February 2025 statutory deadline for 2023/24 audits. This was passed into legislation in October 2024. We are pleased to confirm that we anticipate concluding your audit in advance of the backstop date.

New National Audit Office Code of Audit Practice

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code of Audit Practice (the Code) before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by 30 November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Local context:

As at 31 March 2024, the Council held £781 million of borrowings (£703 million long-term and £78 million short-term). The majority of the long-term borrowing is held with Public Work Loans Board (PWLB) and Barclays Bank PLC on a fixed interest rate. The borrowings taken out by the Council have been used to finance capital acquisition of operational assets. Unlike other Councils, we have not seen any evidence of the Council borrowing excessive amounts to invest in exotic instruments, nor have we seen any evidence of the Council taking excessive risks. Current borrowing is in line with the Council's prudential indicators, and we have no concerns that those indicators are inappropriate.

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.

Audit approach

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

- An evaluation of the group's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response.
- 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 set out on page 5 being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 12 December 2024.

Acknowledgements

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

As highlighted in our previous progress reports presented to the Governance and Audit Committee during the audit there have been challenges to our audit. Challenges included:

- the timely response to some of our queries, particularly where it required information outside of finance
- annual leave over the summer holidays that reduced the resources available in your finance team and our audit team to respond to queries
- the reconciliation issues in your schools' cash balances and Schools Salary account
- pension valuation and the national arising issue of the IFRIC 14 asset ceiling, which required internal consultations with our technical team
- the control issue we identified in your general ledger where journals were being posted by a user other than the person who prepared the journal. This led to additional lines of enquiries and testing to gain the required assurances. This is a known long-term issue.

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.

In our Audit Plan, communicated in March 2024, we assessed materiality at 1.5% of the prior year gross revenue expenditure, plus interest payable. Materiality was assessed as £42m for the Council and £43m for the group.

In the 2023/24 draft accounts, gross revenue expenditure plus interest payable had increased by more than 5% and therefore we reassessed our materiality levels. No benchmarks were changed as there were no indicators of additional inherent risk at the point of reassessment.

We set out in this table our determination of materiality Kent County Council and the Group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£48,000,000	£45,500,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year. We considered 1.5% to be an appropriate rate to apply to the gross expenditure benchmark.
Performance materiality	£31,200,000	£29,575,000	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 65% of overall materiality considering the requirements of ISA 320.
Trivial matters	£2,400,000	£2,275,000	The threshold above which we are required to report errors or uncertainties to those charged with governance, calculated as 5% of materiality.
Specific Materiality for Senior Officers Remuneration	N/A	£20,000	Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes. We have therefore assessed a specific materiality for senior officer remuneration that is £20k per each senior officer. Note this is not a cumulative amount and was applied to each senior officer.

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	Relevant to Council and/or Group
<p>Management override of controls</p> <p>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. The council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Evaluated the design effectiveness of management controls over journals. • Analysed the journals listing and determined the criteria for selecting high risk unusual journals. • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gained an understanding of the accounting estimates and critical judgements made by management and considered their reasonableness with regards to corroborative evidence. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>As reported to you in the prior year, part of our work to understand the design and implementation effectiveness of controls around journals, confirmed that your ledger system allows people to post journals that they did not prepare themselves. For example, person ‘X’ accesses the ledger system and prepares the debits and credits for a journal but does not click post. That journal is then held in draft within the system. Person ‘Y’ then accesses the draft journal and posts it to the ledger. This functionality in the system meant that it was possible for somebody who shouldn’t post journals to the ledger i.e. senior management, to create a journal and have somebody post it on the system. Equally, the ledger itself does not retain an audit trail as to why person ‘Y’ has posted the journal and whether person ‘X’ is satisfied with it.</p> <p>We performed additional procedures to review and test journal entries posted by users other than who prepared them. In total, we identified 21 different people had posted 68 journals that they did not create during the period. During one financial year, the number of transactions posted to the ledger is more than 100,000. Contextually therefore, 68 journals is a small number and supported management’s initial assertion that journals posted by a user that did not create the transaction is rare.</p> <p>We have discussed the matter with management who are satisfied that there are sufficient mitigating controls and that they are comfortable with the level of residual risk. As required by the ISA’s and to ensure transparency, we are communicating this control deficiency to ensure all concerned are aware of the issue. See Recommendation 6 in Appendix C.</p>	Council and Group
	<p>Conclusion:</p>	
	<p>Our work has not identified any material issues in relation to this risk.</p>	

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>(rebutted)</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the Council and the Group’s revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including that of Kent County Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for Kent County Council or the Group</p> <p>Although we have rebutted this risk, we have still performed substantive work on all relevant assertions of revenue where those revenue streams are material to the financial statements in accordance with auditing standards. No issues arose from this work that would cause us to reassess our rebuttal of the presumed risk.</p> <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this risk.</p>	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of land and buildings (Rolling revaluation)</p> <p>The Authority revalues its land and buildings on a rolling four-yearly basis. Investment properties are valued annually. These valuations 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. Additionally, management will need to ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified the closing valuation of land and buildings and investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> <p>Pinpointing the significant risk:</p> <p>We pinpointed the significant risk around the following:</p> <ul style="list-style-type: none"> assets which were material; assets where the valuation movement differed significantly to what we would expect based on indices; assets where we were aware of a significant change in any of the key assumptions from the prior period; and any other factors which in our auditor judgement increased the risk of material misstatement in a particular asset. 	<p>We have</p> <ul style="list-style-type: none"> Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. Evaluated the competence, capabilities and objectivity of the valuation expert (Wilks, Head and Eve). 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. Engaged our own valuer (Gerald Eve) to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. Tested revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. Assessed the value of a sample of assets in relation to market rates for comparable properties. Assessed the value of a sample of assets held at Depreciated Replacement value – testing provided assurance on the reasonableness of key assumptions used by your valuer including the build cost, obsolesce rate and floor areas. Reviewed assets not revalued to obtain assurance there is no material difference between the carrying value and current value of those assets as at the balance sheet date. Assessed the value and reasonableness of key assumptions in relation to a sample of investment properties <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this risk.</p>	Council and Group

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
<p>Valuation of the pension fund net liability (£34.8 million)</p> <p>The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£34.8m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>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 of practice for local government accounting (the applicable financial reporting framework). 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.</p> <p>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.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>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.</p> <p>We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. Undertaken 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. Following a national issue arising where local authorities are paying secondary contributions to pension funds and the additional liability has not been fully recorded in the actuarial estimate, thus reducing any pension assets held and invoking the use of the asset ceiling, as set out in IFRIC14. We have performed a review, confirming that the Council does not pay secondary contributions and there was not an initial pension asset at 31 March 2024. <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this risk.</p>	Council and Group

Audit findings

2. Financial Statements - Observations in respect of other risks

This section provides commentary on 'other risks'. Other risks are risks to the financial statements which we have assessed as not being significant under ISAs.

Other risks identified	Commentary	Relevant to Council and/or Group
<p>Testing of expenditure Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially where an entity is required to meet financial targets.</p> <p>Having considered the risk factors relevant to Kent County Council and the Group and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed on page 11 relating to revenue recognition apply.</p> <p>We consider that the risk relating to expenditure recognition would relate primarily to period-end journals and accruals which are considered as part of the standard audit tests below and our testing in relation to the significant risk of Management Override of Controls as set out on page 10.</p> <p>Whilst we have concluded that there is no significant risk, we have assessed that there is some risk of material misstatement that requires an appropriate audit response.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Performed testing over post year end transactions to assess completeness of expenditure recognition. • Tested a sample of operating expenses to gain assurance in respect of the accuracy and occurrence of expenditure recorded during the financial year. <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this risk.</p>	Council and Group

Audit findings

2. Financial Statements - Observations in respect of other risks

Other risks identified	Commentary	Relevant to Council and/or Group
<p>Schools cash and pay expenditure reconciliations In the prior year we noted that almost half of the balance held at bank was held in schools accounts. We further noted that bank reconciliations on these balances were not always performed as at 31 March, with some being prepared weeks before. This meant that the balance reported to KCC central finance by schools and therefore used in the preparation of the financial statements was often significantly different to the actual balance at 31 March 2024. We raised a recommendation in the prior year to ensure all bank reconciliations were performed as at 31 March 2024, but note that our Audit Findings Report was not presented until 1 March 2024, giving limited time for the recommendation to be implemented.</p> <p>The schools payroll account is managed by a third-party service provider. No reconciliation was provided for this bank account at 31 March 2024. It was requested from the third-party provider as part of the audit process. When received it was not sufficient, and the finance team then completed an appropriate bank reconciliation for the account. The figure per the cashbook was £578k, however, the figure per the NatWest bank confirmation was £11,200k. The reconciliation process was successfully completed, with all reconciling items being identified and verified.</p> <p>However, the reconciliation process highlighted an erroneous entry in the payroll account for the March 2023 PAYE and NI costs of £2.8m where the journal entries had not been entered in the 2022/23 accounts and so were raised in the 2023/24 accounts. This journal had been duplicated in error. This has been raised as an unadjusted misstatement in Appendix D.</p>	<p>We have:</p> <ul style="list-style-type: none"> We have tested bank reconciliations as part of our schools income and expenditure testing. We have again, identified a number of schools where the year-end reconciliation was performed in advance of 31 March 2024. A projected error of £4.8m has been calculated for those schools that did not complete bank reconciliations at the reporting date. This is not material and management have chosen not to adjust the financial statements. It has therefore been reported as an unadjusted misstatement in Appendix D. <p>Our control finding and recommendation from the 2022/23 audit regarding school cash reconciliations has been repeated – see Recommendation 7 in Appendix C.</p> <p>The error identified through our work on the schools payroll reconciliation highlights the importance of the reconciliation process. While in this instance the reconciliation highlighted one error which is immaterial, had the reconciliation been completed earlier, this error would not have been identified as part of the audit process.</p> <p>Our control finding and recommendation from the 2022/23 audit regarding school cash reconciliations has been repeated – see Recommendation 1 in Appendix C.</p> <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this risk.</p>	Council

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IFRS 16 implementation</p> <ul style="list-style-type: none"> Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts. 	<p>On 01 April 2024, management formally adopted IFRS 16. For 2023/24, a disclosure was made to reflect the impact on the 2024/25 accounts (Note 3 – Accounting standards that have been issued, but not yet adopted). Management asserted that the adoption of IFRS 16 will introduce right of use assets on the balance sheet with a value of approximately £23.7m matched against future lease liabilities of £23.7m.</p>	<p>Our work to review this disclosure centred around the following two steps:</p> <ul style="list-style-type: none"> Review and reperformance of steps implemented by management to identify leases which are impacted by IFRS 16. These were checked against the CIPFA Code of Practice as well as industry guidance. Review and reperformance of calculations to determine the future lease liabilities using present value calculations. <p>Our work on the above two steps did not note any issues. However, we have noted that PFI liabilities were not included in management’s calculations. Furthermore, no exercise was undertaken to show peppercorn leases at their market value. The omission of these from the calculations mean that the disclosure does not present the full liability that will be presented in 2024/25. We have requested that management update the disclosure to reflect the above and have raised a recommendation in Appendix B to ensure that these calculations are performed for the 2024/25 accounts.</p>

2. Financial Statements – Key findings arising from the group audit

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The table below sets out the results of our work against the risks set out for Group Audit.

Component	Individually Significant?	Risks identified	Planned audit approach	Findings and conclusions
Kent County Council	Yes	We have detailed the significant risks for the audit of this entity on pages 10 to 13	Full scope audit performed by Grant Thornton UK LLP	Our findings are set out in this report and based on the work to date, we plan to issue an unmodified opinion in respect of the single entity financial statements
Commercial Services Kent Ltd	No	None	Audit of expenditure, carried out by the group audit team of Commercial Services expenditure. Corroborated by analytical reviews performed by Grant Thornton UK LLP	Work in this area is complete but remains subject to internal review processes.
<ul style="list-style-type: none"> • Global Commercial Services Group Ltd (formerly Kent Holdco Ltd) • EDSECO Ltd • Kent County Trading Ltd • Cantium Business Solutions Ltd • GEN2 Property Ltd • Invicta Law Ltd • Kent Top Temps Ltd • Commercial Services Trading Ltd and its subsidiary (CES Holdings Ltd) 	No	None	Analytical reviews performed by Grant Thornton UK LLP.	Work in this area is complete but remains subject to internal review processes.
Group consolidation	N/A	None	<ul style="list-style-type: none"> • To document our understanding of the consolidation process • To review and test (where appropriate) intercompany eliminations • To ensure intercompany eliminations are complete • Perform an analytical review at the group level as part of our risk assessment process 	Work in this area is complete but remains subject to internal review processes.

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
<p>Land and Building valuations – £2,599m</p>	<p>Other land and buildings comprises circa £2bn 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 for operational assets or fair value (FV) for assets designated as surplus.</p> <p>The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 88% of total assets were revalued during 2023/24. The valuation of properties valued by the valuer has resulted in a net decrease of £21.4m.</p> <p>Management has considered the year end value of properties not re-valued in year (£325.2m). In particular, management have considered the potential valuation change in the assets based on the market review provided by the valuer as at 31 March 2024, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties' value.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> reviewed the land and buildings valuation estimate in line with ISA540 requirements and have no issues to raise; reconciled the fixed asset register to the ledger and the financial statements assessed management's valuation expert and found them to be competent, capable and independent; and verified the valuer's outcome against our independent auditor's expert valuation trend report. verified that management's judgement that the carrying value of assets is not materially different to the current value is reasonable. This has been done by setting an independent expectation of the difference using indices provided by Gerald Eve. assessed the reasonableness of alternative site judgements and assumptions assessed the accuracy and completeness of underlying information used to determine the estimate; and assessed the reasonableness of key underlying assumptions for DRC buildings i.e. build costs, floor areas and obsolescence. This assurance was provided to us by our auditor's expert. assessed the reasonableness of key underlying assumptions for EUV assets and assets held at market value i.e. investment properties. This included assessing the reasonableness of yields and rental figures. This assurance was provided to us by our auditor's expert. <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this accounting estimate.</p>	<p>Green</p>

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
Net pension liability – £34.8m	<p>The Council's net pension liability at 31 March 2024 is £34.8m (PY £62.4m) comprising the Local Government pension scheme as administered by Kent County Council. The Council uses Barnett Waddingham to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £3.3m net actuarial gain during 2023/24.</p>	<ul style="list-style-type: none"> We have assessed the Council's actuary, Barnett Waddingham, to be competent, capable and objective. We have performed additional tests in relation to the accuracy of the contribution figures, benefits paid and asset returns, to gain assurance over the 2023-24 roll-forward calculation carried out by the actuary. We have used PwC as our auditor expert to assess the actuary's assumptions – see table below for our comparison of actuarial assumptions: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.9%</td> <td>4.8%-4.95%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>2.85% - 3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.95%</td> <td>3.85% - 4%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>Pensioners: 20.8 Future pensioners: 22.0</td> <td>Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>Pensioners: 23.3 Future pensioners: 24.7</td> <td>Pensioners: 22.6 – 24.3 Future pensioners: 24.1 – 25.7</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.9%	4.8%-4.95%	●	Pension increase rate	2.95%	2.85% - 3%	●	Salary growth	3.95%	3.85% - 4%	●	Life expectancy – Males currently aged 45/65	Pensioners: 20.8 Future pensioners: 22.0	Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1	●	Life expectancy – Females currently aged 45/65	Pensioners: 23.3 Future pensioners: 24.7	Pensioners: 22.6 – 24.3 Future pensioners: 24.1 – 25.7	●	Green
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- Continued overleaf

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £34.8m		<ul style="list-style-type: none"> • We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate. • We have confirmed there were no significant changes in 2023/24 to the valuation method. • We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets. • We have conducted appropriate work to confirm that the application of an asset ceiling, as required by IFRIC 14 is not required. <p>Conclusion Our work has not identified any material issues in relation to this accounting estimate.</p>	Green

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £59.4m	<p>The Council is responsible, on an annual basis, for determining the amount charged for the repayment of debt – known as its Minimum Revenue Provision (MRP).</p> <p>The Council's approach to the MRP is set out to Members as part of the Budget and council tax proposals each year. The basis for the charge is set out in Regulations and statutory guidance.</p> <p>This year end the MRP charge was £59.4m, a net increase of £1.2m from 2022/23 (£58.2m in PY).</p>	<p>Findings:</p> <p>We have carried out the following work:</p> <ul style="list-style-type: none"> Confirmed that the Council's policy on MRP complies with statutory guidance. Assessed that there are no changes to the Council's MRP policy in comparison to 2022/23. Assessed and benchmarked the percentage of the Council's MRP charge against the opening capital financing requirement (4.59%). As this is well above 2%, it falls within our 'Green' range – no concerns identified. Assessed and benchmarked the percentage of the Council's total debt against the capital financing requirement (83%). As this is below 100%, it falls within our 'Green' range – no concerns identified. <p>Conclusion:</p> <p>Following consultation MHCLG have clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation 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>Based on our findings, we are satisfied that the MRP charge complies with regulations and is set at a prudent level to repay borrowing over the long term. The MRP charge must remain under regular review, particularly in light of future capital spending plans.</p>	Green

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>PFI liability (carrying value - £185.2m)</p> <p>(fair value - £218.4m)</p>	<p>PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the entity. The PFI liability is determined by the original financial model updated for inflation and relevant variations. The source data is derived from the financial model. Estimates are used for un-invoiced variations (or credits for insurance) based on estimates provided at the time of the variation.</p> <p>In line with IFRS 13 requirements, in addition to the carrying value of the liability on the balance sheet, management must also disclose the fair value of the liability. Management has engaged an expert to estimate the fair value of the PFI liability (£218.4m).</p> <p>There has been no change in the methodology or underlying assumptions in management's estimation process compared with the prior year.</p>	<p>Conclusion: Our work in respect of the estimate of your PFI liability, including the fair value estimate has not identified any material issues.</p>	Green

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation (£110.4m)	<p>Buildings are depreciated in accordance with the valuers estimation of value/remaining life. Equipment including vehicles are depreciated based on standard lives and estimates from relevant managers and contract lengths where relevant.</p> <p>For existing assets the source data is the carrying value at the start of the year. For existing buildings this was provided by the valuer. For other existing assets it is the brought forward depreciated replacement cost. For new assets it is the purchase cost during the year. For buildings this is the revaluation performed at year end.</p> <p>The point estimate for depreciation is generated by the asset register based on the inputs of costs and expected lives for each asset.</p> <p>There has been no change in the methodology or underlying assumptions in management's estimation process compared with the prior year.</p>	<p>Assets not depreciated in the year of acquisition:</p> <p>As we communicated in the prior year, management's accounting policy to not depreciate assets in the year it was brought into use is not consistent with the LG Code (4.1.2.41) which requires assets to be depreciated at the point in which they are brought into use.</p> <p>We have performed work that confirms this departure does not lead to a material misstatement in the accounts. We have estimated the impact as £2.8m, which is significantly below our materiality level. This has been recognised as an unadjusted misstatement in Appendix D.</p> <p>Remaining economic life assumption:</p> <p>As we reported in the prior year, for specialised assets valued under the 'Depreciated Replacement Cost' method, your valuer provides you with information on the remaining economic life (REL) assumption for each asset. The REL is the key assumption for a depreciation calculation as it sets out how many years the cost of the asset is depreciated.</p> <p>Each year your valuer has assigned the same REL for each DRC asset at 46 years. According to your valuer, 46 years is the life of a DRC asset as new, and your valuer has formed the judgement that it is appropriate to depreciate your entire DRC portfolio on this basis because there is a system of repairs and maintenance both historically and into the future.</p> <p>Our auditor's expert has communicated to us that in their view, this is an unreasonable judgement and one that does not satisfy the requirements to form the assumption based on its current condition. Our auditor expert does not believe it is appropriate to base the assumption on future events which are contingent i.e. future repairs and maintenance. What this means is that our auditor's expert considers the REL assumption used by the Authority to be optimistic and set too high.</p> <p>As a result of this risk, we have done work to quantify the potential impact to determine whether there is a risk of material misstatement in the estimate. A sensitivity analysis was carried out based on a REL calculated from obsolescence data provided by your valuer. We were comfortable with using this data because our auditor's expert concluded that the obsolescence data used by your valuer was reasonable.</p> <p>Using the obsolescence data, we arrived at a REL of 32 years. If this REL was applied to your asset base, the difference on your depreciation estimate would be £10m. As this is not material, we are satisfied that whilst your depreciation charge is optimistic, it is not materially misstated. We have included this difference in our schedule of unadjusted misstatements to ensure that when added to other misstatements, there isn't a material uncertainty in your financial statements. See Appendix D for details.</p>	Amber

Assessment

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Assessment

Provision for adult social care debts (£18.5m)

The Council provides social care support to adults as part of their statutory duties. Some of these services are charged to the individual and remain unpaid at the year-end. As at 31 March 2024, the total debt outstanding from KCC residents was £60.5m (PY £44.7m).

In line with the relevant accounting standards, management must estimate a provision for doubtful debt on an expected loss basis. Management's estimate for the provision in the draft financial statements is £18.5m (PY 14.0m).

The council have a methodology for estimating the value of debts that they consider are unlikely to be settled – typically referred to as a bad debt provision. Where debt is secured and the Council has a right to recover debts against a person's estate, no provision is made. For unsecured debts, the Council calculate the provision using a weighted average. This is based purely on the age of the debt, with no account taken of the type of debt – in a cost of living crisis, individual debts are more likely to remain unpaid.

The weighted averages used are set out below. We consider these all to be overly optimistic.

Age profile of debt	Weighted average provision
Current	1%
Up to 6 months	5%
6 months to 1 year	41%
1 year to 3 years	47%
Over 3 years	62%

We have performed a sensitivity analysis using alternative percentage figures to quantify the level of optimism. This analysis suggests that the estimate is potentially understated by £14.4 million. This is not a factual misstatement but rather a judgemental quantification of the impact of optimistic assumptions. In line with the auditing standards, we are reporting this to you as an audit difference included in our unadjusted misstatement reporting in Appendix D.

We had raised a control finding regarding the default rates used by the Council in calculating this provision in our 2022/23 AFR. As this has not been actioned, the recommendation has been raised again. **See Recommendation 3 in Appendix C.**

Amber

Assessment





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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.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle EBS	ITGC assessment (design and implementation effectiveness only)					Financial reporting, expenditure, payables, payroll and journals	Not applicable

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: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	4 July 2024	4 July 2024	
Opening trial balance for 2023-24	4 July 2024	4 July 2024	
Closing trial balance for 2023-24	4 July 2024	4 July 2024 30 July 2024	An initial TB was provided on 4 July 2024, however, there were issues identified with the mapping requirements of the reporting and the Council had to rework this to provide an updated TB on 30 July 2024.
All general ledger transactions during 2023-24	4 July 2024	19 July 2024	Significant effort was input by the audit team, finance team and Cantium Business Solutions to use the Discoverer tool to enable a full download of the general ledger that could be utilised by our Digital Audit Team, providing efficiencies for the audit team. Work done in 2023/24 will be usable in future years, ensuring efficiencies in our audits going forward.
Mapping between the trial balance and the financial statements for 2023-24	4 July 2024	26 June 2024 9 August 2024	Initial mapping documents received were not in a format that was compatible with our software and had to be reworked.
Draft accounts for 2023-24		31 May 2024	Council financial statements were published and presented for audit on 31 May 2024, in line with requirements. Group financial statements were not presented for audit until 29 August 2024 and have not yet been published. See recommendation 1 in Appendix B.

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 has been requested from the Council, including specific representations in respect of the Group covering the financial statements, annual governance statement and narrative report which is included in the Governance and Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking, investment and borrowing institutions. This permission was granted and the requests were sent. All confirmation responses were received. PENDING NATWEST CONFIRMATIONS FOR 7 SCHOOLS
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. We are satisfied that the Council's accounting policies, estimates and disclosures are reasonable having completed our work and confirmed several adjustments to the financial statements
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management is being provided as promptly as possible. Information and evidence which needs to be provided outside of the main finance team does however take longer and has resulted in some delays in the audit process.

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
<p>Going concern</p>	<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 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.</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"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <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 Council 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"> the nature of the Council and its group and the environment in which it operates the Council and group’s financial reporting framework the Council’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment for the Council and group. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> 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	<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, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified.</p> <p>The Annual Governance Statement (AGS) provided for audit and presented to Governance and Audit Committee members in November 2024 is not yet complete. We have reviewed the draft version but cannot conclude on the AGS until we have reviewed a final version. This remains an outstanding audit matter.</p> <p>Subject to the satisfactory completion of the outstanding matters, we plan to issue an unmodified opinion in respect of other information.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness/es. <p>We have nothing to report on these matters.</p>
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>As the group exceeds the specified reporting threshold of £2bn we examine and report on the consistency of the WGA consolidation pack with the group's audited financial statements.</p> <p>This work is not yet started and will be completed after the financial statements audit is complete.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2023/24 audit of Kent County Council and its group in the audit reports, as detailed in Appendix H and I. Formal closure of the audit will not take place until we have completed procedures on the Whole of Government Accounts.</p>

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

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 Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code.

Significant weakness identified	Conclusion	Outcome
<p>Kent County Council made good progress overall with spending control and savings plans during 223/24. However, its spend on adult social care and health remains stubbornly high. At the time of writing this report, the forecast overspend for the whole Council in 2024/25 stood at £16.3 million. This was more than matched by the forecast shortfall in adult social care and health savings for the year of £16.5 million. Special educational needs and disability is the other area where the Council struggles to contain spend. Despite the Council participating in a safety valve agreement (and complying with its terms), the Council's dedicated schools grant deficit continued to grow in 2023/24</p>	<p>Significant weakness identified and key recommendation raised</p>	<p>Key Recommendation - The Council should explore options for increased efficiency in the adult social care and health directorate in 2024/25 and future years. Reducing current overspends will be essential if reserves are to remain robust in future. Where it is the case that planned savings for adult social care and health need longer timeframes to secure than had been expected (for example with brokerage of new prices and access to new community rehabilitation services), new timeframes should be calculated or new options for savings and additional income should be explored</p>
<p>Only 38% of Internal Audit recommendations were implemented during 2023/24. Although there have been changes to operating standards since the year end, which are understood to have helped, it is still the case that by September 2024 there were 14 high priority Internal Audit actions due and 12 high priority Internal Audit actions in progress.</p>	<p>Significant weakness identified and key recommendation raised</p>	<p>Key Recommendation - Remaining high priority actions from Internal Audit recommendations should be completed and closed. Any improvements made to implementation rates under the new operating standards should be maintained.</p>

4. 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 disclose the following to you:

Paul Dossett is currently serving their seventh year on the engagement. As discussed, and agreed with you and PSAA, we will rotate Paul in 2025/26. We have mitigated the familiarity threat by an additional partner reviewing their key judgements to ensure that these are not influenced by the familiarity that may arise from a long relationship with the Council.

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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

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](#).

4. Independence considerations

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 Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff that would exceed the threshold set in the Ethical Standard

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

4. Independence considerations

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 group. The following non-audit services were identified, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Return	15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £446,964 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Non-audit related	Nil	N/A	N/A

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Audit Committee via our Audit Plan. None of the services provided are subject to contingent fees.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

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	•	•
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	•	•
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 three recommendations for the Council 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
●	<p>Publication of group financial statements</p> <p>The council financial statements were published on the Kent County Council website by 31 May 2024, alongside the appropriate publication notice, as required by legislation. These accounts were for the Council only and did not contain the group financial statements and notes. Group accounts were not presented for audit until August 2024.</p> <p>Group accounts are required because the component companies which are owned by the Council are deemed to be financially material by management. Their exclusion from the financial statements that are published for inspection could raise the point that the published accounts are not materially accurate.</p> <p>The financial statements on the website have not been updated for the inclusion of group accounts and they have therefore not been open for public inspection. This practice was followed in the prior year.</p>	<p>For 2024/25 and beyond, the council should produce full group accounts for publication on the website by 30 June, so the public inspection period is applied to the group accounts and not only the council accounts.</p> <p>Management response</p> <p>The deadline for the production of the single entity accounts of 31 May is extremely challenging and group accounts, considered disclosure to the accounts rather than part of the main statements, has been deemed by management as acceptable to publish as part of the final accounts. The change to the publication date for draft accounts to 30 June means including group financial statements is more achievable in future years and plans are in place to deliver this for 2024/25</p>
●	<p>Preparation and publication of the Annual Governance Statement</p> <p>The Annual Governance Statement (AGS) is a key part of the annual reporting for the Council. While the Council chooses to report its AGS separately to the financial statements, which it is entitled to, the AGS should be published with the draft financial statements by 31 May of the reporting year.</p>	<p>For 2024/25 and beyond, the council should produce the Annual Governance Statement at the same time as the full group accounts, by 30 June.</p> <p>Management response</p> <p>This is agreed and schedules are in place to ensure the AGS is published in line with the draft financial statements.</p>




Controls

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

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
	<p>Implementation of IFRS 16 – Leases</p> <p>The Council has undertaken work during 2023/24 to identify the impact of the implementation of IFRS 16 for leases. The work done did not consider the impact of IFRS 16 on PFI liabilities, or peppercorn leases. Peppercorn leases will require the asset and resulting liability to be stated at market value, which could be a significant value depending on the level and nature of assets held on peppercorn leases.</p>	<p>Management will require to undertake a review of PFI liabilities and peppercorn leases to ascertain the full impact of the implementation of IFRS 16 in the 2024/25 accounts.</p> <p>Management response</p> <p>Management took the view that to incur costs in requesting valuations for peppercorn leases for the estimation of the impact of IFRS 16 was not good use of Council resources but always planned to obtain these for the 2024/25 accounts as part of the implementation of the standard. Draft valuations have now been obtained and are currently being reviewed – they are not a significant value.</p> <p>Guidance from CIPFA on the remeasurement of the PFI liability is still in draft so accurately calculating the impact of this was not possible for 2023/24, but work is underway on this as planned in 2024/25 and will be completed once final guidance is published by CIPFA.</p>

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Kent County Council's 2022/23 financial statements, which resulted in [x] recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note [X] are still to be completed but note that our 2022/23 Audit Findings Report was not issued until March 2024 so there has been limited time for implementation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	
	<p>Cash reconciliation – schools salaries account</p> <p>As part of the work conducted on cash and cash equivalents, we selected for testing the school's salaries bank account. A reconciling item of £2.8m for PAYE was included erroneously in the reconciling items and was not a true reconciling item.</p> <p>We recommended that management ensure bank reconciliations are performed and reviewed on a monthly basis to ensure the financial statements are complete and accurate.</p> <p>During our 2023/24 audit we identified that reconciliations have not been completed during the year or at year-end as the prior year recommendation was issued after 2023/24 year-end instructions had been issued. Further, we identified that the correcting journal entry for the £2.8m identified in 2022/23 had been duplicated in the ledger but has not been paid twice.</p> <p>We again assess this as a high priority recommendation for management</p>	<p>Auditor update 2023/24</p> <p>There has been no change to the schools payroll bank reconciliation process.</p> <p>We continue to flag the lack of reconciliation in our Audit Findings Report to ensure there is complete transparency of the issue with the Governance and Audit Committee and to encourage best practice.</p>
2	✓	
	<p>VAT uncertainty</p> <p>Testing of the VAT debtor identified a difference of £4,280k arising from a transaction made in 2019/20 pertaining to Kings Hill. The history of the transaction is complex and involves two voluntary disclosures to HMRC in respect of underpaid and overpaid VAT. As a result of our challenge, management have revisited this transaction and through their investigation, they have now concluded that their 31 March 2023 VAT claim of £32,601k included an error. They had incorrectly claimed again for the £4,280k which they had already received in October 2022.</p> <p>Whilst evidence provided does support management's judgement, because the VAT issue is complicated and because management's judgement is not supported by expert tax advice, this was disclosed in our 2022/23 Audit Findings Report as an uncertainty.</p>	<p>Auditor update 2023/24</p> <p>The Council has obtained expert tax advice on the matter and settled the liability with HMRC.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3 ✓	<p>Adult Social Care Provision for bad debts</p> <p>As part of our review of your estimate, we have concluded that the assumptions used by management are optimistic leading to an understatement in the provision for doubtful debt. More information is set out on page 24.</p> <p>We recommended in the 2022/23 AFR that management obtained updated information regarding default rates in adult social care debtors to inform the percentages they apply to age debt.</p>	<p>Auditor update 2023/24</p> <p>As part of the Council's annual review of the adequacy of the bad debt provision percentages, they consider the rate of default and the adequacy of the percentages used. An amendment will be made to the provision calculation for 2024/25 which is not expected to have a material impact to the current provision held.</p>
4 ✓	<p>Fully depreciated VPE</p> <p>As part of our audit work, we identified a material amount of VPE which was fully depreciated. Management reviewed this balance and concluded that there was insufficient evidence to confirm whether those assets existed or not. Thereby increasing the risk that VPE gross cost and accumulated depreciation is misstated.</p>	<p>Auditor update 2023/24</p> <p>No further issues were identified by our audit testing in 2023/24. Management have performed a review to ensure that all nil NBV VPE are written out of the financial records where they are no longer in use.</p>
5 ✓	<p>Journals – policies and procedures</p> <p>As explained on page 10, our audit work identified that journals can be posted by a user other than the person who prepared it. We were also told that this functionality should only be used in rare circumstances.</p> <p>Whilst our testing has not identified any issues with the journals posted by a user that did not create the journal, we have agreed with management the need to strengthen and communicate policies and procedures about the appropriate use of the functionality and the need to retain an audit trail as to the rationale of it being used.</p>	<p>Auditor update 2023/24</p> <p>No further issues were identified by our audit testing in 2023/24.</p>
6 X	<p>Journals authorisation</p> <p>As reported in prior years (since 2021/22), manual journals posted to the general ledger do not require authorisation or approval. There is no segregation of duties between the preparer and poster of a journal.</p>	<p>Auditor update 2023/24</p> <p>There has been no change to the journal control environment for 2023/24. We continue to flag the lack of journal authorisation in our Audit Findings Report to ensure there is complete transparency of the issue with the Governance and Audit Committee and to encourage best practice.</p> <p>We note that the Council is currently planning a new ledger system and encourage that appropriate controls around manual journals are implemented. Management have engaged with the external auditors for guidance on their proposed approach in the new accounting system. The new system will improve controls.</p>

Assessment

✓ Action completed

X Not yet addressed

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C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
7	<p>X</p> <p>School bank account reconciliations</p> <p>As reported in prior years (since 2021/22), schools bank reconciliations are not always being performed as at 31 March. This results in a projected misstatement on the schools bank accounts. This year the error is projected to be £4.8m.</p> <p>We again assess this as a high priority recommendation for management</p>	<p>Auditor update 2023/24</p> <p>We note that the recommendation made in the 2022/23 Audit Findings Report was received after the closedown instructions had been sent to schools for 2023/24. We have therefore projected an error on the schools bank balances again.</p> <p>Management update 2023/24</p> <p>Work was undertaken during the 2022/23 audit to show that the risk of misstatement was unlikely. As per the Audit Finding Report from the 2022/23, due to timescales, preparations for closedown processes in schools were too advanced for changes to be made for the 2023/24 year end, but we committed to addressing it as part of the 2024/25 year end timetable. Changes to timetables have been made to allow time for reconciliation returns to be completed as at 31 March, which has in part been made feasible by the extension to publish draft accounts to 30 June.</p>

Assessment

- ✓ Action completed
- X** Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
REFCUS correction	Cr REFCUS (10,450)	Dr Assets under construction 386		Dr Movement in Reserves Statement 10,450
Correction of expenditure incorrectly classified as REFCUS (Revenue Expenditure Funded by Capital Under Statute), which should have been recorded as the Council's capital expenditure		Dr Infrastructure assets 10,064		
		Cr Capital Adjustment Account (10,450)		
Overall impact	(10,450)	0	0	10,450

D. Audit Adjustments

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

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?
<p><u>Note 37b – Pension liability</u></p> <p>‘Other movements in the liability/asset’ are more correctly described as ‘Present value of unfunded obligation’</p>	Management have agreed to change the disclosure	✓
<p><u>Note 2 – Accounting Policies</u></p> <p>Inclusion of the de-minimis limits of £5,000 for revenue accruals and £10,000 for capital accruals in the accounting policies, in line with the council’s practices.</p>	Management have agreed to change the disclosure	✓
<p><u>Note 2 – Accounting Policies</u></p> <p>The impact of implementing IFRS 16 did not clarify that the £20m estimate did not include PFI liabilities or peppercorn leases.</p>	Management have agreed to change the disclosure	✓
<p><u>Note 6 – Remuneration disclosures</u></p> <p>Changes to wording regarding exit packages under £40,000 and the records kept by the Council. The Interim Corporate Director of Finance was added to the remuneration table rather than only being disclosed in the foot note to the table.</p>	Management have agreed to change the disclosure	✓
<p><u>Note 8 – Material items of income and expense</u></p> <p>Prior year comparative figures were not documented in full in the first draft accounts</p>	Management have agreed to change the disclosure	✓
<p><u>Note 32 – Reconciliation of liabilities arising from finance activities</u></p> <p>Figures for lease liabilities and on balance sheet PFI liabilities were incorrectly stated in the first draft accounts.</p>	Management have agreed to change the disclosure	✓
<p><u>Note 38 – Audit fee</u></p> <p>Final fee variations for 2022/23 have now been agreed with PSAA and the prior year audit fee required to be amended to reflect the approved fee variation. The proposed fee for Teacher’s Pensions assurance also required amendment for 2023/24.</p>	Management have agreed to change the disclosure	✓

D. 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. These have been reported to the Governance and Audit Committee as they are over our trivial threshold of £2.75m, but are underneath materiality, individually and in aggregate. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
<p><u>Schools payroll bank reconciliation - PAYE incorrect journal</u></p> <p>As set out on page x, audit testing identified a correction journal for PAYE costs that had incorrectly been entered in the ledger twice.</p>		Dr Cash 2,784 Cr Creditors (2,784)	0	0	Immaterial projected audit difference
<p><u>Schools bank reconciliation</u></p> <p>As set out on page x, audit have identified an uncertainty in the value of cash and cash equivalents held by schools as not all schools perform bank reconciliations as at 31 March. Audit extrapolated the known error in our sample across the total population to correct the potentially overstated cash balance.</p>	Dr Income 4,880	Cr Cash (4,880)	4,880	(4,880)	Immaterial projected audit difference
<p><u>Depreciation</u></p> <p>As in prior year, audit work identified that the remaining life assumption was based on inappropriate judgements about future activity rather than it being based on the current state of each property. Audit estimate that this has understated the depreciation charge in 2023/24</p>	Dr Depreciation expense 10,008	Cr Accumulated depreciation (10,008)	10,008	(10,008)	Immaterial projected audit difference
<p><u>First year depreciation charge</u></p> <p>The Council does not depreciate assets in the year of their addition as we would expect. The journal represents the depreciation that audit consider should have been charged</p>	Dr Depreciation expense 2,822	Cr Accumulated depreciation (2,822)	2,822	(2,822)	Immaterial projected audit difference

D. Audit Adjustments (continued)

Impact of unadjusted misstatements - continued

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
<p><u>Provision for doubtful debts – social care debtors</u></p> <p>As set out on page x, audit concluded that the assumptions used to calculate the social care debtors provision for doubtful debts were optimistic. Audit have calculated an amount considered to be more prudent, which is shown here as an audit difference</p>	Dr Expenditure 14,394	Cr Bad debt provision (14,394)	14,394	(14,394)	Immaterial projected audit difference
<p><u>Commercial services creditor</u></p> <p>Management include a 15% provision against invoices they receive, because, in their view, not all of them will pass validation. Comparison between the 15% provision and the post period-end payments, we consider there to be a difference of £6.185m, which understates the accrual at 31 March 2024.</p>		Dr Debtors 6,185 Cr Creditors (6,185)	0	0	Immaterial projected audit difference
Overall impact	32,104	(32,104)	32,104	(32,104)	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
<p>Depreciation: In the prior year we determined that depreciation was undercharged by £11.984 million. As accumulated depreciation is written out on revaluation, we are satisfied that the prior year misstatement has no impact as at 31 March 2024. Note – a similar issue for 2023/24 has arisen and this is captured in the schedule of 2023/24 unadjusted misstatements.</p>	Nil	Nil	Nil
<p>Salaries bank account: In the prior year we identified that the cashbook figure for the salaries bank account was overstated by £2.8m. This was a balance sheet transaction and therefore has no impact on the 2023/24 accounts.</p>	Nil	Nil	Nil
<p>Operating expenditure – recharges overstatement: In the prior year we reported that the internal recharge process had not been properly completed, meaning that expenditure was overstated by £3.5m and revenue was understated by £3.5m. This misstatement had no impact on the net expenditure or general fund and therefore has no impact on the 2023/24 accounts</p>	Nil	Nil	Nil
<p>Commercial services – creditor/debtor overstatement: In the prior year we reported that intercompany transactions had been incorrectly recorded in the ledger, overstating creditors and debtors by the same amount. This was a balance sheet transaction and therefore has no impact on the 2023/24 accounts.</p>	Nil	Nil	Nil
<p>Commercial services creditor In the prior year we reported that an energy accrual was understated by £3.5m. As the accrual was offset by a corresponding debtor, this was a balance sheet transaction and therefore has no impact on the 2023/24 accounts.</p>	Nil	Nil	Nil
Overall impact	Nil	Nil	Nil

E. Fees and non-audit services

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit fees	Proposed fee £	Final fee £
Scale fee	420,984	420,984
ISA 315 fee variation	12,550	15,690
Use of expert for PPE valuations		10,380
Total audit fees (excluding VAT)	£433,444	£446,964

Non-audit fees for other services	Proposed fee £	Final fee £
Audit Related Services - Grant Claims	15,000	TBC
Total non-audit fees (excluding VAT)	15,000	TBC

The fees reconcile to the financial statements.

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, 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.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

- included as a separate agenda item

H. Audit opinion

- included as a separate agenda item

