

Audit Findings (ISA 260) Report for Kent County Council

Year ended 31 March 2025

30 October 2025



Kent County Council
County Hall
Maidstone
Kent
ME14 1XQ

30 October 2025

Dear Members of the Governance and Audit Committee

Audit Findings for Kent County Council for the year ended 31 March 2025

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

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

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

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-2025.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

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Kent County Council (the ‘Authority’) and the preparation of the group and Authority’s financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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

- the group and Authority’s financial statements give a true and fair view of the financial position of the group and Authority and the group and Authority’s income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed during July-October, as planned. Our findings are summarised on pages 14 to 34. We have identified no adjustments to the financial statements, other than disclosure errors.

We have also raised recommendations for management as a result of our audit work. These are set out at page 49. Our follow up of recommendations from the prior year’s audit are detailed at page 50.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (page 66) or material changes to the financial statements, subject to the following outstanding matters:

- Completion of final audit file quality reviews by engagement team
- receipt of management representation letter (see separate committee item); and
- review of the final set of financial statements

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

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts shortly after the Governance and Audit Committee on 30 October 2025. The Council continues to set a high standard in terms of the quality of accounts in an environment where over 50% of audits are subject to a backstop disclaimed opinion.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the Governance and Audit Committee on 24 September 2025.

We identified significant weaknesses in the Authority's financial sustainability arrangements and so are not satisfied that the Authority 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 (page 48).

Headlines

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 required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- We have concluded our work in relation to consolidation returns for the Whole of Government Accounts for 2024/25 and 2023/24 and a certificate has been issued for 2023/24.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The implementation of IFRS 16 has not had a material impact on the financial statements. Appropriate changes have been made to the accounting policies and disclosures in the financial statements for this change in accounting standard. The Council put in place a robust system of identification and reporting leases, and have implemented a new software system to record, maintain and calculate the net present value of the liability of their leases.

The Council has a limited number of peppercorn leases, where IFRS 16 requires that a market value is shown for the right of use asset.

We are content that IFRS 16 has been implemented appropriately and there are no material misstatements in the financial statements arising from this change.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 2 July 2025, we determined materiality at the planning stage as £55.5m for Kent County Council and £56m for the Kent County Council Group based on 1.8% of prior year gross expenditure. At year-end, we have reconsidered planning materiality based on the draft consolidated financial statements. On review of the draft financial statements, the audit team did not consider that the movement in gross expenditure was significant enough to change materiality levels. Our materiality levels, therefore, remain unchanged from the assessment made at the planning stage of the audit.

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

Basis for our determination of materiality

- We have determined materiality at £55.5m for Kent County Council based on professional judgement in the context of our knowledge of the Authority.
- We have used 1.8% of gross expenditure as the basis for determining materiality.
- We use a benchmark of gross expenditure as the Council prepares an expenditure-based budget for the financial year with the primary objective of providing services to the local community.
- The benchmark of gross expenditure has increased to 1.8% from 1.5% in the prior year due to a change in the benchmark range permitted by the GT methodology

Performance materiality

- Performance materiality is the level at which we perform specific audit testing. This is based on a percentage of materiality. This percentage is assessed at 65% and has not changed from the planning phase of the audit.

Component Performance materiality

- Where audit work on components is being performed using component performance materiality, this has been set at £36.4m, with the component performance materiality used reflecting the relative risk and size of that component to the group

Specific materiality

- 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 has been applied to each senior officer.

Reporting threshold

- We will report to you all misstatements identified in excess of £2.775m, in addition to any matters considered to be qualitatively material.

Our approach to materiality

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

	Group	Authority	Qualitative factors considered
Materiality for the financial statements	£56.0m	£55.5m	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.
Performance materiality	£36.4m	£34.5m	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.
Specific materiality for senior officer remuneration	-	£20k per senior officer	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.
Reporting threshold	£2.775m	£2.775m	

Overview of significant risks identified

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	● Green
The revenue cycle includes fraudulent transactions	Significant	↔	✓	Low	● Green
The expenditure cycle includes fraudulent transactions	Significant	↔	✓	Medium	● Green
Valuation of land and buildings (including investment property)	Significant	↔	✗	High	● Green
Valuation of the pension fund net asset / liability	Significant	↔	✗	High	● Green
Valuation of leased assets and rebasing of PFI liabilities	Significant	↔	✗	High	● Amber

- ↑

 Assessed risk increase since Audit Plan
- ↔

 Assessed risk consistent with Audit Plan
- ↓

 Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the design and implementation of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • reviewed contract waivers and any incidences of non-compliance with procurement regulations 	<p>Our audit work has not identified any issues in respect of management override of controls.</p> <p>We again noted that journals can be posted by a user other than the person who prepared it. While this functionality should only be used in rare circumstances, it represents a weakness in the control environment. We sample tested a number of such journal entries and did not find evidence that was indicative of management override of controls. We understand that implementation of the new Oracle system will remove this functionality.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.</p> <p>Having considered the risk factors set out in ISA (UK) 240 and the nature of the Council and Group’s revenue streams, at the planning stage we determined that the risk of fraud in revenue recognition could 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 the Council, mean that all forms of fraud are seen as unacceptable.	<p>We have evaluated the Council and Group’s accounting policy for recognition of income for appropriateness and compliance with the Code 2024/25, updated our understanding of the Council and Group’s system for accounting for income and evaluated the design and implementation of associated relevant controls.</p> <p>We have sample tested transactions around the year-end to ensure that income has been recorded in the correct financial year.</p> <p>We have sample tested grant income receipts to ensure that they have been appropriately categorised and only recognised when conditions have been met.</p>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p> <p>Our audit has not identified any circumstances that would cause us to change our rebuttal.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.</p> <p>At the planning stage, we considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p>	<p>We have evaluated the Council and Group’s accounting policy for recognition of expenditure for appropriateness and compliance with the Code 2024/25, updated our understanding of the Council and Group’s system for accounting for income and evaluated the design and implementation of associated relevant controls.</p> <p>We have sample tested transactions around the year-end to ensure that expenditure has been recorded in the correct financial year.</p>	<p>Our audit work has not identified any issues in respect of expenditure recognition.</p> <p>Our audit has not identified any circumstances that would cause us to change our assessment of risk.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of land and buildings (including investment property)</p> <p>The valuation of land, building and investment property represents a significant estimate by management in the financial statements due to the large values involved and the sensitivity of estimates due to changes in key assumptions.</p> <p>The Authority revalues its land and buildings on a rolling four-yearly basis so that management can 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 valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.</p>	<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. • Confirming the basis on which the valuation was carried out by the external valuation expert to ensure that the requirements of the Code are met. • Engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Testing revaluations of land and buildings and investment properties recorded during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assessing the value of a sample of assets in relation to market rates for comparable properties. • Considered management's judgement that assets not revalued would not cause a material misstatement. 	<p>Our audit work has not identified any issues in respect of the valuation of land and buildings (including investment property).</p> <p>One immaterial, unadjusted misstatement has been recognised for the Council's accounting policy not to depreciate assets in the year of acquisition.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of net pension liability</p> <p>The Authority's share of the pension fund net liability, as reflected in its Balance Sheet as the net liability arising from defined benefit obligation, 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 (£29m in the Authority's Balance Sheet at 31 March 2025, falling from £38m at 31 March 2024 and £62m at 31 March 2023) 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. 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>(continued)</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 actuary (Barnett Waddingham) 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 reasonableness of the actuary's assumptions and calculations in-line with the relevant standards. • 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. • Undertook 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. <p>(continued)</p>	<p>We have obtained assurances from the auditor of the Kent Pension Fund on the adequacy of controls and source data and ultimately, the valuation of Kent County Council's share of the net pension liability.</p> <p>Our audit work has not identified any issues in respect of the valuation of the net pension liability as at 31 March 2025.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of net pension liability (continued)</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 not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p>	<ul style="list-style-type: none">• Confirmed through analysis of the actuarial report that there was no impact arising from an asset ceiling, as per requirements of IFRIC 14.• Obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.	

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of leased assets and rebasing of PFI liabilities</p> <p>The implementation of IFRS 16 – Leases, which requires the value of leased assets to be shown on the balance sheet, with a corresponding lease liability. This includes leases on a peppercorn rental which require to be shown at market value. Existing PFI liabilities require to be restated.</p> <p>The implementation of IFRS 16 is a significant change to the disclosures made by the Council in their financial statements with regard to leases. An initial review performed by the Council indicated the impact would be £23.7m, however, this did not include the recalculation of the PFI liabilities or peppercorn lease agreement.</p> <p>The draft financial statements recorded a right of use asset of £36.7m, which is not material to the financial statements</p>	<p>We have:</p> <ul style="list-style-type: none"> • Documented our understanding of the processes and controls put in place by management to ensure that the Council’s lease agreements are not materially misstated. • Reviewed steps implemented by management to identify leases which are impacted by IFRS16 and confirming they meet the requirements of the Code. • Reviewed and considered steps taken by management to ensure the completeness of lease liabilities • Reviewed and reperformed calculations to determine the future lease liabilities using present value calculations • Reviewed and reperformed calculations on PFI liabilities to ensure they meet the requirements of IFRS 16 and the Code. 	<p>Our audit work has not identified any issues in respect of the implementation of IFRS 16 and the valuation of leased assets and rebasing of PFI liabilities in the financial statements.</p>

Other findings

Other findings – key judgements and estimates

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

Assessment:

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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings £2,512m at 31 March 2025	<p>Other land and buildings comprises over £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, such as offices, 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 to complete the valuation of properties as at 31 March 2025 on a four yearly cyclical basis. 84% of total assets were revalued during 2024/25.</p> <p>(continued)</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 Montague Evans.• assessed the reasonableness of judgements and assumptions made by management and the valuer <p>(continued)</p>	<p>● Green</p> <p>We consider management’s process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £2,512m at 31 March 2025	Management has considered the year end value of properties not re-valued in year (£404.6m). 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 2025, 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.	<ul style="list-style-type: none"> assessed the accuracy and completeness of underlying information used to determine the estimate. 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. considered management's assessment of assets not revalued through the application of indices provided to us by our auditor's expert. considered the useful economic lives applied to assets by management's expert with reference to our auditor's expert, unlike prior years, no differences have been identified. <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this accounting estimate.</p>	<p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of investment property</p> <p>£43.3m at 31 March 2025</p>	<p>The Authority has engaged Wilks, Head and Eve LLP to complete the annual valuation of investment properties held at fair value as at 31 March 2025.</p> <p>The council owns a range of investment properties, that are used solely to earn rentals and/are for capital appreciation. These assets are not used to deliver services. None of the investment property assets are held outwith Kent county.</p> <p>Management have adequately set out in the notes to the financial statements the valuation approach and the sensitivity of those valuations, specifically where they have been classed as 'level 3' investments, meaning that there are limited observable inputs to the valuation.</p> <p>The total year end valuation of investment property was £43.32m, a net increase of £0.15m from 2023/24 (£43.16m).</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 assessed the accuracy and completeness of underlying information used to determine the estimate <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this accounting estimate.</p>	<p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability £29.3m at 31 March 2025	<p>The Council's net pension liability at 31 March 2024 is £29.3m (PY £34.8m) 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 £29.3m net actuarial gain during 2024/25, compared to 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 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 2024/25 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>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
(continued)			

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
Valuation of net pension liability £29.3m at 31 March 2025		<ul style="list-style-type: none"> We have used PwC as our auditor expert to assess the actuary's assumptions – see table below for our comparison of actuarial assumptions: <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.6% - 5.95%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.9%</td><td>2.85% - 2.95%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>3.9%</td><td>3.9%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy (years) – Males currently aged 45/65</td><td>Pensioners: 20.7 Future pensioners: 22.0</td><td>Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1</td><td>Reasonable</td></tr> <tr> <td>Life expectancy (years) – Females currently aged 45/65</td><td>Pensioners: 23.3 Future pensioners: 24.7</td><td>Pensioners: 22.7 – 24.3 Future pensioners: 24.1 – 25.74</td><td>Reasonable</td></tr> </table> <p>Conclusion: Our work has not identified any material issues in relation to this accounting estimate.</p>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.8%	5.6% - 5.95%	Reasonable	Pension increase rate	2.9%	2.85% - 2.95%	Reasonable	Salary growth	3.9%	3.9%	Reasonable	Life expectancy (years) – Males currently aged 45/65	Pensioners: 20.7 Future pensioners: 22.0	Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1	Reasonable	Life expectancy (years) – Females currently aged 45/65	Pensioners: 23.3 Future pensioners: 24.7	Pensioners: 22.7 – 24.3 Future pensioners: 24.1 – 25.74	Reasonable	<p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>
Assumption	Actuary value	PwC range	Assessment																								
Discount rate	5.8%	5.6% - 5.95%	Reasonable																								
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Life expectancy (years) – Males currently aged 45/65	Pensioners: 20.7 Future pensioners: 22.0	Pensioners: 19.2 – 21.8 Future pensioners: 20.6 – 23.1	Reasonable																								
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Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision £64.6m in 2024/25	<p>The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The 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>For 2024/25, the MRP charge was £64.6m, a net increase of £5.1m from the prior year of £59.4m.</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 2023/24. Assessed and benchmarked the percentage of the Council's MRP charge against the opening capital financing requirement (4.98%). 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 (80%). As this is below 100%, it falls within our 'Green' range – no concerns identified. <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p> <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this accounting estimate.</p>	<p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>PFI Liability</p> <p>Carrying value - £197m at 31 March 2025</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>Following the implementation of IFRS 16, PFI schemes required to have their liabilities remeasured where indexation or changes in a rate affects future payments. The 'Better Homes, Active Lives' and 'Excellent Homes for All' PFI contracts do not have indexation applied and therefore those liabilities have not been remeasured.</p>	<p>As part of our work we have:</p> <ul style="list-style-type: none"> reviewed the PFI asset 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 engaged our internal financial modelling team to review the PFI contracts and models to confirm the remeasurement of the liability due to IFRS 16 is materially accurate <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this accounting estimate.</p>	<p>● Green</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Depreciation</p> <p>£118m in 2024/25</p>	<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>As part of our work we have:</p> <ul style="list-style-type: none"> reviewed the building 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 Performed substantive analytical procedures to give assurance on the completeness and accuracy of the depreciation balance in the financial statements. <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 £2.9m, which is significantly below our materiality level. This has been recognised as an unadjusted misstatement on page X.</p> <p>Conclusion:</p> <p>Our work has not identified any material issues in relation to this accounting estimate.</p>	<p>● Amber</p> <p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic</p>

Other findings – key judgements and estimates









Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Provision for adult social care debts	<p>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.</p> <p>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.</p>	<p>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 2025, the total debt outstanding from KCC residents was £66.4m (PY £60.5m)</p> <p>In line with 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 £25.5m (PY £18.5m).</p> <p>The Council has a methodology for estimating the value of debts they consider are unlikely to be recovered – typically referred to as a provision for doubtful debts. 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 of the type of debt.</p> <p>As in prior years, we consider that the weighted averages used by the Council in their calculations are overly optimistic and that they are unlikely to recover the full value of social care debtors not covered by the provision for doubtful debts. Whilst there is no risk of material misstatement- we are of the view that the Council's approach is not sufficiently prudent.</p>	<p>● Amber</p> <p>We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment	
Provision for adult social care debts		The weighted averages are set out below.		
		Age profile of debt	Council percentages applied	Audit percentages applied
		Current	1%	10%
		Up to 6 months	5%	38%
		6 months to 1 year	41%	75%
		1 year to 3 years	47%	100%
		Over 3 years	62%	100%
		We have performed a sensitivity analysis using alternative percentage figures to quantify the level of optimism considered to be in management’s calculation. This suggests that the estimate could be potentially understated by £19.2m. This is not a factual misstatement but rather a judgemental quantification of the impact of the optimistic assumptions applied by management. In line with auditing standards, we are reporting this to you, again, as an audit difference in our unadjusted misstatements.		
		This issue was raised in our 2022/23 and 2023/24 Audit Findings Reports. We have again, re-iterated our recommendation to review the provision methodology.		

Other findings – Information Technology





This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating				Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Oracle EBS - General Ledger	ITGC assessment (design and implementation effectiveness only)	 Green	 Green	 Green	 Green		Management override of control
Innervision – lease valuations	ITGC assessment (design and implementation effectiveness only)	 Amber	 Amber	 Amber	 Amber		Implementation of IFRS 16

Innervision is a new system used by management in 2024/25 for the purposes of maintaining a lease register and calculating the value of lease liabilities under IFRS 16. As such, we reviewed the ITGC this year, as implementation of IFRS 16 was assessed as a significant risk of material misstatement. A service auditor report was not available for Innervision that would give management and external audit assurance over the ITGC in place. We have therefore marked this as amber but recognise that the valuation of Right of Use assets is not material to the financial statements and will not repeat this work in future years.

In August 2025, Kent County Council implemented Oracle Fusion, an upgrade to the Oracle EBS ledger system. Given the date of the transition, there has been no impact on the 2024/25 audit. Additional IT audit work will take place during the 2025/26 audit to provide assurance on the data migration between the two Oracle systems.

Assessment:

-  [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

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 other 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 Authority's banking and treasury partners. This permission was granted and the requests were sent. All banking requests were returned with positive confirmation, albeit some with significant delays. Investment requests were not all returned and some were returned with incorrect balances. In these cases we have performed alternative procedures to gain assurance over the investment levels.
Disclosures	Our review found no material omissions in the financial statements. Details of disclosure changes made to the financial statements following audit review have been set out on page xx.
Audit evidence and explanations	All information and explanations requested from management was provided as promptly as possible.
Significant difficulties	No significant difficulties arose during the audit that we require to bring to the attention of those charged with governance.
Other matters	There are no other matters that we are required to bring to the attention of those charged with governance.

Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> • 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 Authority’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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the Authority and its group and the environment in which it operates • the Authority and Group’s financial reporting framework • the Authority and Group’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment for the Authority and its 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; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, 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.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix D.</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 significant weaknesses. <p>We have nothing to report on these matters, except for arrangements to secure value for money which is referred to on page 54 of this report.</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 Authority exceeds the specified group reporting threshold of £2 billion, we examine and report on the consistency of the WGA consolidation pack with the Authority's audited financial statements.</p> <p>Note that work is not yet completed and the planned timescale for the work is to be completed by 30 November 2025.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit of Kent County Council and its group in the audit report to a point after the audit opinion is signed, as detailed in Appendix D. Formal closure of the audit will not take place until we have completed procedures on the Whole of Government Accounts.</p>

Audit adjustments

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

No adjusted misstatements have been identified at the date of issuing our report. We will provide an update to management and the Governance and Audit Committee should any issues be identified from finalisation of the audit file.

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	Misclassification or change identified	Adjusted?
Officer’s Remuneration	A number of disclosure changes regarding narrative supporting officer remuneration tables have been requested	✓
Audit Fee	The audit fee has been updated to reflect the PSAA Scale Fee payable by the Council	✓
Accounting policies	Draft accounts omitted details of accounting standards issued but not yet adopted	✓
Expenditure and Funding Analysis	The comparative 2023/24 figures in the note had been incorrectly stated and did not match the prior year statements	✓
Throughout	A number of typographical errors have been identified throughout the financial statements.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the audit which have not been made within the final set of financial statements. The 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
<u>Pension Fund Liability</u> Identifying the Council's share of a projected error in the pension fund liability at 31 March 2025		DR Pension Liability 3,400 CR Pensions Reserve (3,400)	Nil	Nil	Immaterial, projected audit difference
<u>Depreciation</u> Calculation of depreciation not charged in the year of acquisition	DR Depreciation expense 2,996	CR Accumulated depreciation (2,996)	2,996	Nil	Immaterial, projected audit difference
<u>Schools cash balances</u> Projected error arising from schools bank reconciliations not performed at 31 March 2025	Dr Income 3,207	Cr Cash (3,207)	3,207	(3,207)	Immaterial, projected audit difference
<u>Provision for doubtful debts – Adult Social Care</u> Difference arising from audit calculation for provision for doubtful social care debts using more prudent assumptions – see page x	DR Expenditure 19,292	CR Provision for doubtful debts (19,292)	19,292	(19,292)	Immaterial, projected audit difference
Overall impact of current year indicative unadjusted misstatements	25,495	(25,495)	25,495	(22,499)	

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and the resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 financial statements.

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
Schools bank reconciliation – where school bank reconciliations were not performed as at 31 March 2024	Dr Income 4,880	Cr Cash (4,880)	4,880	(4,880)	Immaterial, projected audit difference
Depreciation – difference in valuer opinion on estimated useful life of assets	Dr Depreciation expense 10,008	Cr Accumulated depreciation (10,008)	10,008	Nil	Immaterial, projected audit difference
Depreciation – expected first year charge not charged by Council	Dr Depreciation expense 2,822	Cr Accumulated depreciation (2,882)	2,882	Nil	Immaterial, projected audit difference
Provision for doubtful debts – application of audit assumptions to adult social care bad debt provision	Dr Expenditure 14,394	Cr Bad debt provision (14,394)	14,394	(14,394)	Immaterial, projected audit difference
Overall impact of prior year unadjusted misstatements	32,104	(32,104)	32,104	(19,274)	
Cumulative impact of prior year and current year indicative unadjusted misstatements on 2024/25 financial statements	43,205	(43,205)	43,205	(27,379)	

Note: the impact of current year unadjusted misstatements in the table above has been reduced to take account of the prior year unadjusted misstatement for the adult social care bad debt provision to remove double counting

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit 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
<div>●</div> <div>Medium</div>	<div>Formal impairment review of assets under construction</div> <div>Audit work identified that the Council do not perform a formal, documented impairment review of assets under construction as part of the year-end processes. There is a risk that with not performing and formalising this review, assets under construction may be materially misstated in the financial statements, if for example, projects have been aborted, but a capital value remains for them in the financial statements.</div>	<div>We recommend that the Council document and formalise a year end process for the impairment review of the value of assets under construction.</div> <div>Management response</div> <div>We are confident that any impairments would be identified in monitoring conversations between capital accountants and budget managers during the year but will bolster this with an additional formalised year end process to fully mitigate this risk.</div>
<div>●</div> <div>High</div>	<div>Provision for doubtful debts – Adult Social Care</div> <div>Audit work reviewing the estimate made by management concluded that the assumptions used are overly optimistic, leading to an understatement in the provision for doubtful debt. There is a risk that this value continues to rise and may become material.</div>	<div>We recommend, as we have in our 2022/23 and 2023/24 AFRs, that the Council obtains updated information regarding default rates in adult social care debtors to inform the percentages they apply to the debt. We further recommend that a full review of the aged debt is performed alongside review of default rates, to enable clear understanding of the nature of the aged debt and what the most appropriate level of bad debt provision is.</div> <div>Management response</div> <div>Our stance on the value of the bad debt provision remains consistent with previous years. Our average default rate for KentCare accounts in 2024 was 6.7% compared to 7.2% in 2022/23 and 7.3% in 2023/24. We will reconsider the appropriateness of this calculation in 2025/26.</div>

Key

●

 High – Significant effect on control system and/or financial statements

●

 Medium – Limited impact on control system and/or financial statements

●

 Low – Best practice for control systems and financial statements

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in 3 recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented our recommendations. We further follow up on 3 recommendations reported in our 2022/23 Audit Findings Report which were not fully implemented at the point of reporting for 2023/24.

Assessment	Issue, risk and recommendation previously communicated	Update on actions taken to address the issue
✓	<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>We are pleased to report that the financial statements published on the Kent County Council website on 30 June 2025, included the group accounts.</p>

Assessment

- ✓ Action completed
- X Not fully addressed

Follow up of prior year recommendations

Assessment	Issue, risk and recommendation previously communicated	Update on actions taken to address the issue
✓	<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 30 June 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>The Annual Governance Statement was published by the Council shortly after the 30 June deadline, in draft. In future years, the Council will seek to publish their Annual Governance Statement at the same time as the financial statements, as required by the legislation.</p>
✓	<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>This was identified as a significant risk of material misstatement in our 2024/25 audit. No issues arising from the implementation of IFRS 16.</p>

Assessment

- ✓ Action completed
- X Not fully addressed

Follow up of prior year recommendations

Assessment	Issue, risk and recommendation previously communicated	Update on actions taken to address the issue
X	<p>Cash reconciliation – school 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 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>	<p>No errors were identified in the reconciling items as part of our audit testing.</p> <p>Reconciliations were not completed for the schools salary account, on the basis that the schools salary balance is part of the overall balance that is reconciled. We continue to recommend that a separate reconciliation is performed so management are content that schools and council funds are allocated and accounted for appropriately.</p>

Assessment

- ✓ Action completed
- X Not fully addressed

Follow up of prior year recommendations

Assessment	Issue, risk and recommendation previously communicated	Update on actions taken to address the issue
✓	<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>There has been no change to the journal control environment for 2024/25. 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>	<p>There has been no change to the control environment for 2024/25. We continue to note this lack of journal authorisation in our Audit Findings Report to ensure there is complete transparency with the Governance and Audit Committee.</p> <p>We expect that this finding will be removed following the implementation of the new Oracle Fusion system in August 2025.</p>
X	<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 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>We have noted an improvement in the number of school bank account reconciliations that are performed as at 31 March, however, anomalies remain. A projected misstatement of £2.9m has been raised on page 41.</p>

Assessment

✓ Action completed

X Not fully addressed

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25. Our draft AAR was reported to you at the Governance and Audit Committee on 24 September 2025 and the final AAR reported to you on 30 October 2025.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have identified significant weaknesses in arrangements regarding financial sustainability [in relation to Adult Social Care costs and the Dedicated Schools Grant deficit, with reference to spend on the High Needs Block](#). This was reported to the Governance and Audit Committee on 24 September 2025.

Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose the following to you:

Matter	Threats	Safeguards	Conclusion
<p>Paul Dossett, the Key Audit Partner, is currently serving his eighth year on the engagement. This extension has been discussed and agreed with you and approved by PSAA and the Grant Thornton ethics team.</p> <p>Paul will be rotated from the audit at the end of the 2024/25 audit.</p>	<p>Familiarity</p>	<p>An Engagement Quality Control Reviewer and Safeguarding Partner has been appointed to review key judgements made on the audit file.</p>	<p>We have concluded that our independence is not compromised due to the safeguards put in place</p>

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Independence considerations

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

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Fees and non-audit services

The following table sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 24 September 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor.

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Kent County Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest and self review threat from these fees.

Audit-related non-audit services

Service	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Teachers Pension Return	15,000	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 and £7,500 in comparison to the scale fee for the audit of £462,551 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.
Department for Transport Major Scheme return	7,500		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.

Fees and non-audit services

Audit fees	Proposed fee £	Final fee £
Scale fee set by PSAA	462,551	462,551
Fee variation – implementation of IFRS 16	-	
Use of expert for PPE valuations	10,000	10,000
Total audit fees (excluding VAT)	£472,551	£472,551

Total audit and non-audit fee

Audit fee - £472,551	Non-audit fee - £37,500
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The above fees are exclusive of VAT and out of pocket expenses.

The fees above reconcile to the financial statements.

A fee variation for our work on the implementation of IFRS 16 is currently being calculated and will then be discussed with management, before submission to PSAA for approval. We will update the Governance and Audit Committee when the fee variation is approved.





This covers all services provided by us and our network to the group/Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		
Non-compliance with laws and regulations		
Unadjusted misstatements and material disclosure omissions		
Expected modifications to the auditor's report, or emphasis of matter		

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. Our team and communications

Grant Thornton core team

Paul Dossett

Engagement Lead/
Key Audit Partner

- Paul is the key contact for senior management and the Governance and Audit Committee
- Responsible for overall quality assurance and audit opinion

Lucy Nutley

Engagement
Senior Manager

- Lucy is responsible for overall audit management and quality assurance of audit work
- Key contact for the finance team
- Oversees the Value for Money work and its conclusions

Zargham Malik

Audit Manager

- Zargham will support Lucy with overall audit management
- Responsible for resource management
- Key contact for the finance team and the audit team

Thomas Foster

Value for Money
Lead Manager

- Thomas leads on our Value for Money work
- Responsible for meeting with Officers and Members and concluding on the efficacy of arrangements for obtaining value for money

Pool of specialists and other technical specialists (e.g. IT audit, property valuations and financial modelling)

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

C: Group audit

In accordance with ISA (UK) 600 Revised, 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 summarises our final group scoping, as well as the status of work on each component.

Subsidiary Level						Risk of material misstatement to the group	Auditor	Planning - Audit scope	Final – Audit Scope	Status
1	2	3	4	5	6					
Kent County Council Group							Grant Thornton UK LLP			●
	Kent County Council					Yes	Grant Thornton UK LLP			●
	Global Commercial Services Group Ltd					Yes	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young			●
	Cantium Business Solutions Ltd					No				●
	EDSECO Ltd (the Education People)					No				●
	Invicta Law Ltd					No				●
	Gen2 Property Ltd					No				●
	Commercial Services Trading Ltd					No				●
	CSG Global Education Ltd					No				●
	Landscapes for Learning Ltd*					No				●
	Lifecycle Management Group Ltd					No				●
	Prospects Payroll Ltd					No				●
	Kent Waste Management LLP*					No				●
	UK Teach Ltd*					No				●
	Groupe WF Education*					No				●
	WF Education Group Holdings Ltd*					No				●
	WF Education Group Ltd*					No				●

C: Group audit

Subsidiary Level

1	2	3	4	5	6	Risk of material misstatement to the group	Auditor	Planning - Audit scope	Final – Audit Scope	Status
Kent County Council Group										
	Commercial Services Kent Ltd					Yes	All entities are audited along with the consolidation of all entities into Global Commercial Services Group Ltd by UHY Hacker Young			●
	Bowerhouse II Solar Ltd					No				●
	PeopleTech Services Ltd*					No				●
	Hampshire & Kent CS LLP					No				●
	Luton & Kent CS LLP					No				●
	Surrey & Kent CS LLP					No				●
	Dudley & Kent CS LLP					No				●
	Dorset & Kent CS LLP					No				●
	Halton & Kent CS LLP*					No				●
	Hackney & Kent CS LLP*					No				●

Key

Scope 1	Audit of entire financial information of the component, either by the group audit team or by component auditors (full-scope)
Scope 2	Specific audit procedures designed by the group auditor (specific scope)
Scope 3	Specific audit procedures designed by the component auditor (specific scope)
Out of scope	Out of scope components are subject to analytical procedures performed by the Group audit team to group materiality.
●	Planned procedures are substantially complete with no significant issues outstanding.
●	Planned procedures are ongoing/subject to review with no known significant issues.
●	Planned procedures are incomplete and/or significant issues have been identified that require resolution.

C: Group Audit

Involvement in the work of component auditors

Scope	Component auditors involved	Summary of involvement	Changes compared to planned involvement
Scope 1	Grant Thornton UK LLP	<p>The Group Engagement Lead led a planning meeting with the group engagement team which included a discussion on risks and guidance on designing procedures.</p> <p>Throughout the audit the group engagement team participated in meetings and reviewed all audit documentation in respect of significant risks, including the underlying workpapers.</p> <p>A formal internal standback meeting with the group engagement team will be attended by the Group Engagement Lead and Engagement Quality Control Reviewer (EQCR).</p>	No changes to planned involvement
Scope 2	UHY Hacker Young	<p>The Group Engagement Lead has sent group instructions to the component auditor which have been received and responded to, as appropriate. The group audit instructions set out expected materiality levels, scope of work and indicative sample sizes.</p>	No changes to planned involvement
Scope 3	UHY Hacker Young	<p>The Group Engagement Lead led a planning meeting with the component auditor which included a discussion on risks and guidance on designing procedures.</p> <p>The Group Engagement Lead has sent group instructions to the component auditor which have been received and responded to, as appropriate. The group audit instructions set out expected materiality levels, scope of work and indicative sample sizes. Work was completed to the requirements of the component auditor.</p> <p>Audit work has been reviewed by the component audit team with no issues arising</p>	No changes to planned involvement



- We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.
- Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

D: Draft Audit Opinion

Independent auditor's report to the members of Kent County Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Kent County Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

give a true and fair view of the financial position of the group and of the Authority as at 31 March 2025 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

D: Draft Audit Opinion

In our evaluation of the Interim Corporate Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the 'Code of Audit Practice') we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

D: Draft Audit Opinion

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the ‘Code of Audit Practice’) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

D: Draft Audit Opinion

Responsibilities of the Authority and the Interim Corporate Director Finance

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Interim Corporate Director Finance. The Interim Corporate Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Interim Corporate Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Interim Corporate Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024, the Local Government Act 2003 and the Local Government Act 1972).
- We enquired of management and the Governance and Audit Committee concerning the group and Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Governance and Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

D: Draft Audit Opinion

- We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - unusual journal entries made during the year and at the accounts preparation stage; and
 - the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability.
- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on testing unusual journal entries and journal entries with a higher level of inherent risk made during the year and accounts preparation process for appropriateness and corroboration;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud and error in revenue and expenditure recognition and the significant estimates related to the valuation of land and buildings and investment property and the valuation of the defined benefit pension liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector in which the group and Authority operates
 - understanding of the legal and regulatory requirements specific to the Authority and group including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

D: Draft Audit Opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.
- For components at which audit procedures were performed, we requested component auditors report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in respect of the above matter except on 12 December 2024 we identified two significant weaknesses in the Authority's arrangements for financial sustainability:

- The Authority continued to experience a stubbornly high spend on Adult Social Care and Health. We recommended that the Authority should explore options for increased efficiency in the Adult Social Care and Health directorate in 2024/25 and future years. The significant cost pressures have continued in 2024/25, with the position deteriorating in the financial year. Therefore, the significant weakness in arrangements remains in place for the year ended 31 March 2025. We have again recommended that the Authority should explore further options for increased efficiency in the Adult Social Care and Health service as reducing current overspends will be essential if reserves are to remain robust in the future.

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- The Authority is party to a ‘safety valve’ agreement with the Department for Education with regards to the Dedicated Schools Grant. Under this agreement, the Authority is expected to contribute £80m and keep to an agreed profile of deficit reduction, and the Department for Education will provide additional funding until March 2027/28. We recommended that the Authority should work holistically to reduce spend on the high needs block. At 31 March 2025 the Authority had fallen behind its forecast deficit profile for Dedicated Schools Grant, having been slightly ahead of it in March 2024. A temporary ‘statutory override’ on accounting treatment has been implemented nationally, which means that that local authorities do not need to offset deficits on the Dedicated Schools Grant against general fund reserve. This is due to expire in March 2028, and the Authority is forecasting a residual deficit on the Dedicated Schools Grant at that point of over £30m. We recommend that the Authority should ensure that its Dedicated Schools Grant management plan is sufficient to address the legacy deficit as well as control the in-year pressure on the high needs block.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kent County Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett, Key Audit Partner

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



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