



Final Audit Findings (ISA 260) Report for Kent Pension Fund

Year ended 31 March 2025

30 October 2025



Kent Pension Fund

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Dear Members of the Governance and Audit Committee,

Audit Findings for Kent Pension Fund for the 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 will be discussed with management and the Governance and Audit Committee.

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

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

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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](#).

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

Parris Williams

Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Financial statements

Introduction

These are the key findings and other matters arising from the statutory audit of Kent Pension Fund (the ‘Pension Fund’) and the preparation of the Pension Fund’s financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

ISA Requirements

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

- the Pension Fund’s financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at that date of the fund’s assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Audit Work

Our audit work was carried out between June and September, starting as scheduled on 16 June. The Pension Fund team provided a well-prepared set of financial statements along with comprehensive working papers, all in line with the agreed timetable. Notably, this timetable was set two weeks ahead of the statutory deadline at the end of June.

In line with the audit plan, which targeted completion by the end of September 2025, we have successfully finalized the audit within the agreed timeline. Consistent with previous years, the quality of information provided and the communication from the Pension Fund team have been outstanding. We would like to express our sincere appreciation to management for their continued efforts and cooperation throughout the audit.

During the audit, we identified two adjustments to the draft financial statements, both proposed by management. The first adjustment relates to updated investment valuations received after the draft accounts were published, resulting in a £19m change. The second adjustment involves the reclassification of a distribution initially recorded as investment income, which has now been correctly reflected as a distribution sale. This reclassification does not affect the overall net assets.

We have reviewed and tested both adjustments and are satisfied that they are supported by appropriate evidence. Further details are provided on pages 38 to 39 of this report.

We also identified one unadjusted misstatement, which relates to the auditor’s projected error of £8.4m in benefits payable. This was noted during our comparison of sample benefit payments against expectations based on calculation sheets and pension increases. It is important to note that this represents a projected error, not an actual misstatement. Further details are provided on page no 42 of this report.

We have also made three recommendations for management based on our audit work. These are detailed on pages 43 to 45.

Continued overleaf . . .

Headlines

Financial statements

Audit Work - continued

Our work is complete, however to date there are no matter of which we are aware that would require modification of our audit opinion or material changes to the financial statement, subject to the following outstanding matters.

Items relating to the conclusion of the audit:

- Senior engagement quality review

Matters which can only be closed following the audit committee on 30th October 2025:

- Receipt of signed management representation letter;
- Review of the final set of financial statements; and
- Receipt of subsequent events confirmation email from management.

Audit Opinion

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

Our draft Audit Report is attached as a separate agenda item.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Fund's Annual Report on 5TH November 2025 at the same time we issue our financial statement audit opinion.

Headlines

Local & National Context

National Context – Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator's (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the 'connection deadline' 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should 'connect by' 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In executing our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Headlines

Local & National Context

National Context – Investment and Funding

Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary's Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.

At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.

The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.

In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the Future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government's proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS administering authorities (AAs) and LGPS pools. The consultation closed in January 2025 and the outcome was published on 29 May 2025. Kent Pension fund's response to 'Fit for future' is set out on the next page.

In executing our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Headlines

Local & National Context

Local Context

The net assets of the Kent Pension Fund as at the end of March 2025 amounted to £8,432.55m (31 March 2024: £8,142.55m).

In relation to the local context, several key matters for 2024/25 are as follows.

- During 2025, the Local Government Pension Scheme (LGPS) underwent significant changes to its pooling framework under the UK Government “Fit for the Future” reforms. The Government confirmed that ACCESS Pool would not be permitted to continue in its current form and required the LGPS funds within the pool transition into the one of six FCA-regulated investment companies by 31 March 2026. As the Kent Pension Fund holds a material proportion of its assets within the ACCESS pool, this development has direct local implications for the way in which investments are managed. In response, on 11 August 2025, the Fund announced that it will join the Border to Coast Pension Partnership, ensuring compliance with the revised framework.
- For Kent Pension Fund, the 2022 triennial valuation was undertaken by Barnett Waddingham, and showed that the Fund had sufficient assets to cover 102% of the accrued liabilities as at 31 March 2022, which had increased from 98% at the 2019 valuation.
- We have received requests from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process.

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.

We are pleased to report that we anticipate issuing our opinion on the pension fund financial statement alongside that of the administering authority in November, well ahead of the statutory deadline.

Financial statements

Financial statements

Overview of the scope of our audit

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

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

For Kent Pension Fund, the Governance and Audit Committee fulfil the role of those charged with governance.

Conclusion

Our audit of the financial statement is complete, with only resolution of the outstanding matters set out on page no 7. We anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 30th October 2025 and finalisation of the administering authority audit.

Our draft Letter of representation and draft unqualified audit opinion is attached as a separate agenda.

Audit approach

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

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

Acknowledgements

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

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 3rd July 2025, we determined materiality at the planning stage as £122.1m based on 1.5% of Gross Investment Assets as at 31 March 2024. At year-end, Upon receipt of the draft 2024/25 financial statements, we have reassessed and revised our materiality threshold by applying the same 1.5% benchmark to the updated Gross Investment Asset figures reported in the current year draft accounts. This update was necessary to ensure that materiality is aligned to the most up-to-date balances reported in the draft accounts, rather than the prior year figures used at the planning stage.

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

Basis for our determination of materiality

We have determined fieldwork materiality based on professional judgement in the context of our knowledge of the Fund. This includes consideration of factors such as user expectations, industry developments, financial stability, and the financial reporting requirements applicable to the Fund.

We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines.

Based on this analysis, we have established materiality for the Fund's financial statements at £126.4m (PY £122.6m), representing 1.5% of Gross Investment Assets as reported in the draft 2024/25 financial statements.

This benchmark is consistent with the prior year, and we have not identified any factors that would warrant a reduction in the percentage applied.

Performance materiality

Performance materiality has been set at £94.8m (PY £91.9m), representing 75% of overall materiality, in line with the approach taken in the prior year. This benchmark was determined following a review of the previous year's audit, which did not identify any significant misstatements or weaknesses in the control environment. Additionally, we have not observed any indicators of increased fraud risk.

While the percentage benchmark remains unchanged, the performance materiality figure has been updated to reflect the revised overall materiality, which was recalculated using the Gross Investment Asset figures reported in the draft 2024/25 financial statements. This ensures that our audit approach remains aligned with the most current financial data available.

Specific materiality for the Fund Account

A lower, specific materiality of £38.8m (PY £35.3m) has been determined for the Fund Account, based on 10% of gross expenditure as at 31 March 2025. This lower materiality will be applied to the audit of all Fund Account transactions, excluding investment transactions, for which the headline materiality will continue to apply.

While the benchmark of 10% remains consistent with the prior year, the materiality figure has been updated to reflect the revised gross expenditure reported in the draft 2024/25 financial statements.

This approach ensures that our audit procedures remain proportionate and responsive to the most current financial data.

Reporting threshold

We will report to you all misstatements identified in excess of £6.3m (PY £6.1m), in addition to any matters considered to be qualitatively material.

Our approach to materiality (continued)

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








Description	Amount (£)	Qualitative factors considered
Headline Materiality for the Fund's financial statements	£126.4m	In determining headline materiality for the audit, we considered user expectations and the level of audit risk associated with the engagement. Given the size and public profile of the Kent Pension Fund, we applied a benchmark of 1.5% of Gross Investment Assets, which we consider appropriate for this audit. To support this assessment, we conducted a comparative analysis of materiality levels applied to Grant Thornton-admitted bodies, taking into account their respective share of assets. This analysis, which is required under our firm's methodology to ensure appropriate IAS 19 assurance, further supports the use of the 1.5% benchmark. This benchmark is consistent with the prior year, and based on our current evaluation, we have not identified any factors that would justify a reduction.
Performance Materiality for the Fund's financial statements	£94.8m	We have set the performance materiality at 75% of the overall materiality, consistent with last year. In determining this benchmark, we reviewed the previous year's audit work and did not find any significant misstatements or deficiencies within the control environment. Additionally, there are no indications of increased fraud risk, leading us to conclude that maintaining the same level of performance materiality as the previous audit is appropriate.
Triviality*	£6.3m	Triviality is based on the percentage 5% of the overall materiality.
Specific Materiality for the Fund Account	£38.8m	The benchmark for Fund Account materiality has been set at 10% of gross expenditure as at 31 March 2025. This percentage was selected based on our assessment of the Fund's operational characteristics, including the absence of complex contribution and benefit structures and the consistency of the accounting systems in use. These factors contribute to a lower risk of material misstatement. Accordingly, we have retained the same 10% benchmark as applied in the prior year. However, the materiality figure has been updated to reflect the latest expenditure figures reported in the draft 2024/25 financial statements.
Performance Materiality for the Fund Account	£29.1m	Performance materiality for the Fund Account has been set at 75% of the Fund Account materiality, consistent with the approach adopted in the prior year. This determination is based on our review of the previous year's audit, which did not identify any significant misstatements or control deficiencies. In the absence of any indicators suggesting increased audit risk, we consider it appropriate to maintain the same benchmark for the current year.




*We have determined that there is no requirement to establish separate triviality for the fund account. As a result, we have chosen to utilize the main triviality threshold for our audit procedures.

Overview of audit risks

Overview of audit risks

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

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Status of work
Management override of controls	Significant	↔	✓	 (Green)
Valuation of Level 3 Investments (excluding directly held properties)	Significant	↔	✗	 (Green)
Valuation of Directly held properties	Significant	↔	✗	 (Green)
Valuation of Level 2 Investments	SCOT+	↔	✗	 (Green)
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26	SCOT+	↔	✗	 (Green)
Benefit payable	SCOT+	↔	✗	 (Green)
Contribution receivable	SCOT+	↔	✗	 (Green)

- ↑ Assessed risk increased since audit plan
  Work has been completed, no material adjustment or change to disclosure within the financial statements
- ↔ Assessed risk consistent with audit plan
  Work not yet complete, potential to result in material adjustment or significant change to disclosure within the financial statements.
- ↓ Assessed risk decrease since audit plan
  Issues with work completed to date, likely to result in material adjustment or significant changes to disclosures within the financial statements.

Significant risks

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

Risk identified	Audit procedures performed	Key observations
<p>Risk 1 - Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation effectiveness of management relevant controls over journals; • Analysed the journals listing and determine the criteria for selecting high risk unusual journals; • Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • Gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. 	<p>We have not identified any changes to the accounting policies or estimation processes for the 2024/25 financial year. However, our audit work has highlighted a recurring control deficiency relating to the authorisation of journals—an issue previously reported in last year’s Audit Findings Report. Further details are provided in page no 43 of this document.</p> <p>Aside from this matter, our audit procedures have not identified any material concerns relating to the risk of management override of controls.</p> <p>Conclusion</p> <p>With the exception of one recurring control deficiency, no material issues or other significant concerns have been identified in this area.</p> <p>We are satisfied that management’s judgements and estimates are reasonable and have been applied consistently.</p>

Significant

Significant risks (continued)

Risk identified

Risk 2 - Valuation of level 3 investments (excluding directly held properties)

The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.

Significant

Relevant assertion(s)

Valuation

Applicable assertion(s)

Existence, Rights & Obligations, Presentation

Planned level of control reliance

None

Audit procedures performed

As part of our audit procedures, we have:

- Obtained an understanding of management's valuation processes for Level 3 investments and evaluated the design and implementation of the associated controls.
- Reviewed the nature and basis of valuation estimates and assessed the assurance management has over year-end valuations to ensure compliance with the Code.
- Obtained independent year-end confirmations directly from investment managers and the custodian.
- Reviewing the audited financial statements of the investment accounts. Where there were different reporting dates, we carried out 'look back tests' to gain assurance on the valuation methods of the investment manager, comparing audit accounts to capital statements and then considering cashflows to year end (and indices where appropriate).
- Reviewing the corresponding independently sourced capital statement at 31 March 2025.
- Reviewed the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts.
- Challenged management's classification of the assets.
- Obtained and reviewed investment manager service auditor reports on design and operating effectiveness of internal controls where appropriate.

Key observations

Our audit of Level 3 investments identified one adjustment of £19 million, proposed by management, in relation to the valuation of these investments. This adjustment was made following the receipt of finalised information from the fund manager, which was not available when the accounts were initially published. The revision replaced earlier estimates and reflects more accurate and reliable data. Such post-publication adjustments are common in pension fund reporting and demonstrate management's commitment to ensuring the financial statements present the most robust and up-to-date information (see page 38 for further details).

Conclusion

We are satisfied that the valuation methodology has been applied consistently and that management's judgements are reasonable.

Significant risks (continued)

Risk identified	Audit procedures performed	Key observations
<p>Risk 3 – Valuation of Directly held Property</p> <p>The valuation of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud.</p> <p>Significant</p> <p>Relevant assertion(s) Valuation</p> <p>Applicable assertion(s) Existence, Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> • Gained an understanding of management’s valuation processes and evaluated the design and implementation of the associated controls • Assessed management’s methodology and assumptions used in the estimation process, including the instructions provided to the external valuer and the scope of their work. • Evaluated the competence, capabilities, and objectivity of the appointed valuer. • Obtained direct confirmation from the valuer regarding the basis and methodology used in the valuation. • Engaged our own valuation expert to review the instructions issued to the Fund’s valuer and assess the reasonableness of the underlying assumptions. • Challenged the data and assumptions used by the valuer to ensure they were complete and consistent with our understanding of the Fund’s assets. • On a sample basis, tested revaluations made during the year to confirm they were accurately recorded in the Fund’s financial records. 	<p>We have not identified any material adjustments or findings in relation to the valuation of directly held properties.</p> <p>Based on our audit procedures, we are satisfied that the judgements applied by management are reasonable.</p> <p>Conclusion</p> <p>We are satisfied that the valuation methodology has been applied consistently and that management’s judgements are reasonable.</p>

Significant Classes of Transactions

Significant classes of transactions, account balances, and disclosures (SCOT+s), are associated with risks of material misstatement but are not linked to a significant risk. This section provides commentary on the SCOT+ risks communicated in the Audit Plan.

Risk identified	Audit procedures performed	Key observations
<p>Risk 4 - Valuation of level 2 investments</p> <p>The valuation of level 2 investments can be judgemental where they cannot be valued directly, as a result the valuation of level 2 investments has been identified as a significant class of transactions.</p> <p>SCOT+</p> <p>Relevant assertion(s) Valuation</p> <p>Applicable assertion(s) Existence, Rights & Obligations, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> • Documented our understanding of management’s processes for valuing Level 2 investments. • Agreed the year-end valuations to confirmations received from both the investment managers and the custodian. • Where available, verified valuations against quoted market prices at the reporting date. • Compared valuations to purchase or sale transactions occurring close to the year-end, where appropriate. • Reviewed the valuation methodologies and guidelines applied to ensure they were appropriate and consistently applied. • Obtained and reviewed service auditor reports on the internal controls of the investment managers. • Assessed management’s classification of Level 2 investments within the fair value hierarchy for a sample of items. • Performed additional detailed testing where planned procedures did not provide sufficient audit assurance. 	<p>We have not identified any material adjustments or findings in this area and are satisfied that the judgements applied by management are appropriate.</p> <p>Conclusion</p> <p>We are satisfied that the valuation methodology has been applied consistently and that management’s judgements are reasonable</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Risk 5 - Actuarial present value of promised retirement benefits disclosure – IAS 26</p> <p>The disclosure of the Fund’s actuarial present value of promised retirement benefits is an accounting estimate and is sensitive to changes in key assumptions. As a result, it has been identified as a significant class of transactions.</p> <p>SCOT+</p> <p>Relevant assertion(s)* Presentation</p> <p>Applicable assertion(s) None</p> <p>Planned level of control reliance None</p> <p><i>*As the figure being audited here is only disclosed in the notes to the accounts, we have updated our assertion level risks from our Audit Plan to only include ‘Presentation’ as the relevant assertion. This has no impact on the planned work being carried out.</i></p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> • Documented our understanding of management’s processes related to the actuarial valuation. • Reviewed the instructions issued by management to their appointed actuary, including the scope of work and estimation methodology. • Assessed the competence, capabilities, and objectivity of the actuary responsible for the Fund’s valuation. • Evaluated the accuracy and completeness of the data provided by the Fund to the actuary for estimating the liability. • Verified the consistency of financial statement disclosures with the actuarial report. • Reviewed the report of the consulting actuary (engaged as the auditor’s expert) to assess the reasonableness of the assumptions used, and performed any additional procedures recommended in that report. • Obtained assurance that the membership data testing performed in the prior year remains valid and reliable for the valuation as at 31 March 2025. 	<p>Our audit procedures did not identify any material adjustments or issues relating to the present value of promised retirement benefits under IAS 26.</p> <p>During our testing, we identified two disclosure misstatement and one presentational prior period adjustment, which management has agreed to amend. These findings do not affect the overall financial position of the fund. Further details are provided on page no 40 of this report.</p> <p>We are satisfied that the judgements are applied by management are appropriate and have been determined using a consistent methodology.</p> <p>Conclusion</p> <p>We are satisfied that the disclosure in relation to the present value of promised retirement benefits are appropriate. The identified disclosure and presentational issues, which management has agreed to adjust, have no material impact on the financial statement and are considered minor in nature.</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Risk 6 – Benefit payable</p> <p>Pensions benefits payable represents a significant percentage of the Fund’s expenditure.</p> <p>As a result, it has been identified as a significant class of transactions.</p> <p>SCOT+</p> <p>Relevant assertion(s) Accuracy</p> <p>Applicable assertion(s) Completeness, Occurrence, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Fund’s processes related to the benefit payables. • Evaluated the appropriateness of the Fund’s accounting policy for recognising pension benefits expenditure. • Reviewed the Fund’s systems for recording and accounting for pension benefits. • Tested a sample of lump sum payments by tracing them to supporting documentation and verifying the corresponding payments from the pension fund bank account. • Selected a sample of pension payments to confirm member eligibility, recalculated pension amounts, verified them against payslips, and agreed payslip values to payments made from the pension fund bank account. • Tested relevant member data to support a predictive analytical review, assessing changes in pensioner numbers and in-year increases to identify and explain any unusual trends. 	<p>Our audit procedures identified one unadjusted difference of £8 million relating to benefit payables. This represents a projected difference rather than an actual error. The projection arose from differences noted when comparing a sample of benefit payments to expectations based on the pension increase and calculation sheet. The small variances identified in the sample were extrapolated to the wider population to determine the projected impact. Further detail is provided on page 42 of this report.</p> <p>Conclusion</p> <p>Other than the matter noted above, our audit work has not identified any other material issues. We are satisfied that the benefit payables are not materially misstated.</p>

Significant Classes of Transactions (continued)

Risk identified	Audit procedures performed	Key observations
<p>Risk 7 - Contributions receivable</p> <p>Contributions from employers and employees represents a significant percentage of the Fund's revenue.</p> <p>As a result, it has been identified as a significant class of transactions.</p> <p>SCOT+</p> <p>Relevant assertion(s) Completeness</p> <p>Applicable assertion(s) Accuracy, Occurrence, Presentation</p> <p>Planned level of control reliance None</p>	<p>As part of our audit procedures, we have:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Fund's processes in relation with contribution receivables. • Evaluated the appropriateness of the Fund's accounting policy for recognising contributions. • Reviewed the Fund's systems for recording and accounting for contribution income. • Tested a sample of contributions by tracing them to source documentation to confirm accuracy and occurrence. • Tested relevant member data to gain assurance over management information to support a substantive analytical review, ensuring that any unusual trends are satisfactorily explained. • Obtained assurance over changes to admitted and scheduled bodies during the year. • Verified the completeness of employer contributions by agreeing total contributions for each employer to their respective contribution records. 	<p>We have noted no material adjustments or findings in relation to the contributions receivable balance.</p> <p>Conclusion</p> <p>We are satisfied that the contribution are not materially misstated.</p>

Other findings

Other findings – significant matters

	Issue	Commentary
1	Significant events or transactions that occurred during the year	<p>In July 2025, the UK Government confirmed that the ACCESS LGPS investment pool will not be permitted to continue in its current form and must be restructured or merged with another pool by 31 March 2026. This forms part of broader reforms to consolidate LGPS investments into six FCA-regulated investment companies.</p> <p>Kent Pension Fund currently holds a material proportion of its assets within the ACCESS pool. The Government's judgement affects the structure through which the fund's investments are managed, but not the underlying asset base or the solvency of the fund.</p> <p>Subsequently, on 11 August 2025, the Fund announced that it will join Border to Coast Pension Partnership, thereby ensuring compliance with the revised pooling framework and continuity of investment governance.</p> <p>While this change necessitates adjustments to the Fund's operational governance arrangements, there is currently no evidence that the Fund would be unable to realise its assets or meets its liabilities as they fall due. Accordingly, we are satisfied that the Government's decision does not give rise to a material uncertainty regarding the Fund's ability to continue as a going concern.</p> <p>We discussed this matter with management, who agreed to include an appropriate disclosure in the financial statement (subsequent to the reporting date) to ensure users are informed of the development.</p>
2	Prior year adjustments identified	<p>A prior period adjustment was identified in respect of Membership disclosures. In 2024/25, management updated the methodology to include undecided members within the deferred pensioner category, whereas in the prior year these members had been excluded. Comparative figures have therefore been restated for consistency. This adjustment is presentational only and does not affect the IAS 26 actuarial valuation, as the membership data used by the actuary (from the 31 March 2022 triennial valuation) already included undecided members within the deferred pensioner category. Accordingly, there is no impact on the Fund's liabilities, funding position or net assets.</p>

Other findings – key judgements and estimates

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

Summary of management's approach

Level 3 investments (excluding directly held property) - £1,047.523m

The Pension Fund has investments in Infrastructure funds, pooled property and private equity funds that total £1,047.523m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

These investments are not traded on an open exchange/market, and the valuation of the investment is highly subjective due to a lack of observable inputs. To determine the value, management rely on the valuations provided by the investment managers.

Audit comments

In response to management's approach, we have:

1. Reviewed the audited financial statements of the investment accounts. Where there were different reporting dates, cashflows have been considered in the comparison
2. Ensured consistency of the investment management report with the financial statements.
3. Compared the valuation to purchase and sales transactions of the investment near the reporting date (where appropriate)
4. Obtained and reviewed Investment Manager service auditor reports on design and operating effectiveness of internal control where appropriate

Other findings – key judgements and estimates (continued)

Audit comments (continued)

In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable)

We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements

We consider management's judgements to be reasonable and the valuation methodology to have been applied consistently in relation to Level 3 investments.

Assessment

Based on the audit procedures performed over Level 3 investments, we are satisfied with management's assessment.

Assessment Key

- [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

Other findings – key judgements and estimates (continued)

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

Summary of management's approach

Directly held property - £473m

The Pension Fund has investments in directly held properties that total £473m on the net assets statement at year-end.

Management receive quarterly performance reports which are reviewed and subsequently presented to the Pension Board, providing scrutiny of estimates. Investment managers will periodically provide update reports for committee meetings – providing an opportunity for officers and members to challenge unusual movements or assumptions.

The valuation of directly held properties are significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimates to changes in key assumptions.

Audit comments

In response to management's approach, we have:

1. Evaluated the competence, capabilities and objectivity of the valuation expert
2. Engaged our own valuer to confirm the basis on which valuation were carried out
3. Challenged the assumption and the information used by the management expert to assess the completeness and consistency with our understanding.
4. Tested on a sample basis, revaluation made during the year to ensure they have been recorded accurately within Kent Pension fund's financial record.

Other findings – key judgements and estimates (continued)

Audit comments (continued)

In undertaking this approach, we have also considered the completeness and accuracy of the underlying information used to determine the estimate, in addition to the impact of any changes to valuation method from the prior period (if applicable)

We have also confirmed that the sensitivities disclosed in the notes to the accounts are reasonable and in line with the Code, and the estimate is adequately disclosed in the financial statements

We consider management's judgements to be reasonable and the valuation methodology to have been applied consistently in relation to Directly held property.

Assessment









Based on the audit procedures performed over Directly held property, we are satisfied with management's assessment.

Assessment Key

- [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





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			Assessment
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Oracle EBS	ITGC assessment (design and Implementation only)	 (Amber)	 (Amber)	 (Green)	 (Black)	Our audit work has identified one control recommendation; please refer to page 45 for more detailed information.
Altair	Service Auditor's review of SOC 1 Type 2 report *	 (Green)	 (Green)	 (Green)	 (Black)	N/A

* It is important to note that, although our audit plan communicated to TCWG we would perform an ITGC assessment on Altair software, we instead reviewed the Service Organization Report on Heywood. As Altair is fully managed by Heywood and the primary controls operate within their environment rather than the LGPS, reviewing the SOC report provides sufficient appropriate evidence.

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
1	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.
2	Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
3	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.
4	Written representations	A letter of representation will be requested from the Pension fund. This will be signed alongside the final draft of the financial statements in conclusion of the audit.
5	Confirmation requests from third parties	We requested from management permission to send confirmation requests to their custodian and investment managers. This permission was granted, and the requests were sent and have been received as part of our final account work.
6	Disclosures	The disclosure misstatements identified during our audit are detailed on pages 38 to 42. Apart from these, we did not identify any material disclosure misstatement in the financial statement.
7	Audit evidence and explanations	All information and explanations requested from management was provided
8	Significant difficulties	None to report.

Other communication requirements (continued)

Going Concern

Our responsibility

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

Commentary

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.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10.

Other communication requirements (continued)

Going Concern

Commentary (continued)

The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Pension Fund and the environment in which it operates
- the Pension Fund's financial reporting framework
- the Pension Fund's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>The Pension Fund is administered by Kent County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to give a separate consistency opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements.</p> <p>The statutory deadline requires the Pension Fund Annual Report to be published by 1 December 2025. The Pension Fund has now published its Annual Report, and we plan to issue our ‘consistency’ opinion on 5 November 2025.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>

Audit adjustments

Adjusted misstatements

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000
		Debit £'000	Credit £'000	Debit £'000	Credit £'000	
	Total net assets per draft accounts					8,432,552
1	<p>During the audit, management revised the reported value of investment assets in the financial statements, increasing the balance from £8,430 million to £8,449 million. This adjustment was made following the receipt of finalised information from the fund manager, which had not been available at the time the accounts were initially published. The revision replaced earlier estimates and reflects more accurate and reliable data. Such post-publication adjustments are common in pension fund reporting and demonstrate management's commitment to ensuring the financial statements present the most robust and up-to-date information.</p> <p>As our audit procedures are based on the published accounts, we have treated this as an adjusted misstatement. We have reviewed and tested the adjustment to confirm its accuracy and appropriate presentation in the revised financial statements.</p> <p>Dr. Investment Assets - £19,067k</p> <p>Cr. Profit and Loss on disposal of investment and changes in the market value of investments - £19,067k</p>		(19,067)	19,067		19,067

Adjusted misstatements (continued)

This is a summary of adjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Impact on total net assets £'000
		Debit £'000	Credit £'000	Debit £'000	Credit £'000	
2	<p>During the audit, management voluntarily adjusted investment income from £175m to £169m due to incorrect classification of a distribution related to Partner group investments. The amount had originally been recorded as income, but it was in fact a sale distribution. Upon review of the financial statement, management identified that amount should be reclassified to profit and loss on disposal of investment and changes in market value of investments, rather than being included in the investment income.</p> <p>We have reviewed and tested the adjustment as part of our audit procedure and confirmed that it has been appropriately reflected in the financial statement with no impact on overall net assets.</p> <p>Dr. Investment Income - £6,036k</p> <p>Cr. Profit and Loss on disposal of investment and changes in the market value of investments - £6,036k</p>	6,036	(6,036)			Nil

Adjusted misstatements (continued)

Misclassification and disclosure changes

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

Disclosure	Misstatement	Adjusted
Note 20 – Actuarial present value of promised retirement benefits	<p>During our review of Note 20 – Actuarial present value of promised retirement benefit we identified two disclosure errors.</p> <ol style="list-style-type: none"> 1) The fair value of the Fund’s net assets, based on the latest valuation, represents 119% of the actuarial value of promised retirement benefits. However, the note incorrectly states this figure as 103%. 2) Secondly, the financial assumptions disclosed in the note do not align with those reported in the IAS 26 valuation. Specifically, the inflation rate should be 3.20%, the pensions increase rate 2.90%, and the discount rate 5.85%, in accordance with the IAS 26 report. 	✓
Note 1 – Membership data	<p>During our review of the membership data disclosed in the financial statements, we noted a significant increase in the number of deferred pensioners. Upon enquiry, management explained that in 2024/25, the methodology was updated to include undecided members within the deferred pensioner category. In the prior year, these members had been excluded. As a result, the comparative figures have been restated for consistency. This is a presentational adjustment only and does not impact the IAS 26 actuarial valuation, as the membership data used by the actuary (from the 31 March 2022 triennial valuation) already included undecided members within the deferred category. Accordingly, there is no effect on the Fund’s liabilities, funding position, or net assets.</p> <p>We also requested that management include a prior period adjustment (PPA) disclosure within the accounting policies, in line with the requirements of IAS 8.</p>	✓
Note 26 – Contractual Commitments	<p>Our review identified a discrepancy in the disclosed contractual commitments. By comparing external confirmations with the reported figures, we found that the commitment was understated by £115 million (£375 million confirmed vs £260 million disclosed). Management has acknowledged the issue and agreed to update the disclosure accordingly.</p>	• ✓

Adjusted misstatements (continued)

Disclosure	Misstatement	Adjusted
Note 11 – Audit fee disclosure	<p>During our review of the audit fee disclosure, we noted that the financial statements did not reflect the 2024/25 audit fee amounts as communicated in the approved Audit Plan. We also requested that management include a footnote clarifying that the disclosed audit fee is exclusive of VAT and explaining the variance between the disclosed fee and the amount set out in the Audit Plan. Management has subsequently amended the footnote to reconcile the audit fee disclosure accordingly.</p>	✓
Note 23 – Additional Voluntary Contributions	<p>During our review of Note 23, we identified trivial variances in the Prudential Fund figures between the draft accounts and the Fund Manager report. Specifically, there was a £513k difference in the closing balance and a £2,486k variance in contributions paid. Upon challenge, management explained that the initial version of the accounts had used draft figures. Management agreed to update the disclosure.</p>	✓
Note 6 – Event after the reporting period	<p>During our review of the accounting policies, we noted that management had not disclosed recent government proposals related to LGPS investment pooling. Specifically, the UK Government’s Fit for the Future consultation confirmed that the ACCESS LGPS investment pool will not be permitted to continue in its current form and must either be restructured or merged with another pool by 31 March 2026. This is part of a broader reform initiative aimed at consolidating LGPS investments into six FCA-regulated investment companies.</p> <p>The Kent Pension Fund currently holds a material proportion of its assets within the ACCESS pool. While this development affects the structure through which the Fund’s investments are managed, it does not impact the underlying asset base or the solvency of the Fund. We consider it essential that these changes are clearly disclosed in the financial statements under 'Events After the Reporting Date' to ensure transparency and inform users of the financial statements.</p> <p>Management agreed to update the disclosure</p>	• ✓
Various minor casting/disclosure amendments	<p>There were various spelling, formatting, casting and other minor adjustment made as a result of the audit process. These were not individually significant.</p>	✓

Unadjusted misstatements

This is a summary of unadjusted misstatements identified during the audit. We are required to report all non-trivial misstatements to those charged with governance.

Adjustment ref.	Detail	Pension Fund Account		Net Asset Statement £'000		Reason for not adjusting
		Debit £'000	Credit £'000	Debit £'000	Credit £'000	
1	Based on our testing of benefit payments, we identified one unadjusted projected difference of £8.4 million. This arose from comparing sample benefit payments against expectations derived from pension increase and calculation sheets. The difference represents a projected, rather than an actual, error and was estimated by extrapolating the small variances identified in the sample to the wider population.	Benefit payment – £8,404			Benefit payable – (£8,404)	As this relates to a projected, not actual, error no adjustments has been made.
Total impact						

Action plan

We have identified two recurring control recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2025/26 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
1 ● Low	<p>Lack of review of Journals</p> <p>In our review of management override of control, we note that journals can be posted and approved by the same person.</p> <p>Risk</p> <p>Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increase the risk of errors, omissions, or irregularities going undetected, as there is no independent review of the transactions.</p>	<p>Management should prioritize implementing effective segregation of duties in the journal posting process. This may involve assigning distinct responsibilities for initiating, authorizing, recording, and reviewing journal entries to different individuals or teams.</p> <p>Additionally, regular monitoring, internal audits, and management oversight are essential to ensure compliance. We note that the Authority is in the process of implementing a new accounting system (Oracle cloud) which provides an opportunity to embed these controls improvements directly within the system. Management should focus on ensuring the segregation of duties and independent review controls are incorporated as part of the new system's design and ongoing operation.</p> <p>Management response</p> <p>We have robust reconciliation procedures in place in which any/all journal entries and transactions are subject to, on both a half-yearly and an annual basis. As such, these reconciliations would allow us to identify and highlight any potential mis-postings to which corrections can be made. All reconciliations are required to be reviewed and signed off by somebody else, to ensure there is a segregation of duties.</p> <p>In addition, we have taken some steps to strengthen segregation of duties within the journal and reconciliation processes. In some cases, preparers are required to obtain approval for journals before they are uploaded and posted. In other cases, corrections to reconciliations and journals are undertaken by separate colleagues to provide additional oversight. However, there are still certain cases, particularly in relation to large journals which are automatically populated by macros, which cannot be reviewed/reconciled but as mentioned above, any mis-postings will be identified in reconciliations and hence we still consider this to be very low risk.</p> <p>The Fund has been working with KCC to implement our new accounting system (Oracle Cloud) and, as such, we had held off of making many changes to the journal process prior to it's implementation. However, Oracle Cloud has now been introduced and so there will opportunities for future improvements which we will be looking to explore.</p>

Action plan (continued)

Assessment	Issue and risk	Recommendations
<p>2</p> <p>●</p> <p>Low</p>	<p>Outside of General ledger adjustments</p> <p>We identified from our investment testing work that the investment assets are recorded on book cost in the general ledger and Market value of the investment assets are recorded through an outside ledger reconciliation excel sheet. We would expect all the transactions to be routed through general ledger.</p> <p>Risk</p> <p>There is an increased risk for human errors and misstatement where investment change in MV are recorded on manual spreadsheet.</p>	<p>When some journals are recorded in a spreadsheet and not in the general ledger system, it can present a risk to the accuracy and completeness of financial reporting. We therefore recommend formalizing the process for recording journals by ensuring that all financial transactions are captured directly in the general ledger system. This helps to maintain a complete and accurate record of all financial activities.</p> <p>We acknowledge that several other pension funds operate under a similar control environment; however, for best practice and to strengthen internal controls, valuation changes should be reflected directly in the ledger. Management should consider this as part of ongoing improvement to financial reporting processes.</p> <p>Management response</p> <p>We do not consider the current approach of performing a year-end market value reconciliation, rather than holding MVs directly on the ledger, to present an increased risk of error or misstatement. As you know, all other investment transactions, including purchases and sales for example, are fully recorded on the ledger and the Fund has well-established processes and reconciliations for investment valuations and statements against both manager and custodian. Having said that, we do take on board the suggestion to hold the values on the ledger and are continuing to explore this further. Work in this area was paused given the Oracle Cloud project so that we could get an understanding of it's capabilities and how it is going to work. Now that this system is in place, we have identified colleagues, both internally and externally, who we will be engaging with who may be able to help in understanding whether this is something that will work with us and how to go about implementing it. However, at the current moment, we believe that the current process of undertaking the market value reconciliation is strong and does not present any greater risk of error.</p>

Action plan (continued)

Assessment	Issue and risk	Recommendations
<p>3</p> <p>●</p> <p>Medium</p>	<p>Lack of Segregation of duties (SOD) within Oracle EBS</p> <p>Our Audit Procedure identified 2 accounts BLANCE01 and PENNAL02 that had been assigned combination of the following roles.</p> <p>Applicable Developer – Development Access; and System Administrator – Implementation access.</p> <p>Furthermore, it was noted that a single change had been implemented by the account PENNAL02, however the change was noted to be a quick fix that had been communicated to management, this ensured appropriate oversight over the change made. No changes were performed by the account BLANCE01.</p> <p>Risk</p> <p>The combination of access to implement changes and security administration in production is a SoD conflict that could lead to inappropriate or unauthorised changes to data and functionality within Oracle EBS. This risk is further elevated owing to a lack of proactive monitoring of privileged user accounts</p>	<p>It is recommended that management restricts access to implementation roles on a need-to-use basis. Permissions should be assigned for a pre-agreed window to implement a change and then revoked again. Activity during the implementation window should be monitored closely.</p> <p>Management response</p> <p>Application Developer has been removed from BLANCE01 account and will be reassigned on a need to have basis.</p> <p>PENNAL02 use of Application Developer is as follows</p> <ul style="list-style-type: none"> • Identify information on specific tables (size, width, length etc). This form is read only. • Common Lookups and CE (banking) lookups as they are not held as module Specific • It could also be used for manual configuration on a release where Messages need to be updated or added (usually for HR changes) <p>Due to the Oracle Cloud programme, it would be beneficial for PENNAL02 to retain this access. This will be removed in August.</p>

Independence considerations

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

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

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

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

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

None of the 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 Pension Fund. The table overleaf summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that we add safeguard.

Our firm also provides audit and non-audit services to the Kent County Council. The fees in relation to these services and the related ethical considerations are reported in the Audit Findings Report issued to 'Those Charged With Governance' (TCWG) for that entity. Consequently, such fees are disclosed in the Council's financial statements rather than the Pension Fund's.

Audit fees	£
Audit of Pension Fund	116,779
Auditor's expert used for the valuation of directly held properties	4,650
Total	121,429

Audit related non-audit services	£	Threats identified	Safeguards applied
IAS 19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice (Ebbsfleet Development Corporation)	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £3,500 in comparison to the total proposed fee for the audit of £121,429 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.
Total	3,500		

*It is important to highlight that the IAS 19 assurance letters issued to auditors of local authorities and NHS bodies are included within the standard audit fee. However, where an IAS 19 assurance letters requested by auditors of entities outside this scope, it falls outside the scale fee and is treated as a non-audit service.

Fees and non-audit services (continued)

Total audit and non-audit fee	£
Total Audit fee	121,429
(Non-audit fee) = £3,500	3,500
Total	124,929

The above fees are exclusive of VAT

The fees reconcile to the financial statements as follows:	
Fees per financial statements	£149,295
IAS 19 fee for 2023-24 not recorded in prior year	(3,500)
2024-25 Auditor's expert fee used for the valuation of directly held properties	(4,650)
2023-24 additonal audit fee nor recorded in prior year	(16,216)
Total	£124,929

This covers all services provided by us and our network to the Fund, its directors and senior management, 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	●	
Planned use of internal audit	●	
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	●	●
Views about the qualitative aspects of the Fund'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

Parris Williams

Engagement Lead/Key Audit Partner

- Key contact for senior management and Governance and Audit Committee
- Overall responsible for overall quality controls, account's opinion, final authorisation of reports.

Zargham Malik

Audit Manager

- Audit planning
- Quality assurance of audit work
- Drafting report & overall responsibility of audit engagement.

Tram Nguyen

Audit In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"> • Annual client service review 	<ul style="list-style-type: none"> • The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings 	<ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log 	<ul style="list-style-type: none"> • Technical updates
Informal communications	<ul style="list-style-type: none"> • Open channel for discussion 		<ul style="list-style-type: none"> • Communication of audit issues as they arise 	<ul style="list-style-type: none"> • Notification of up-coming issues

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.

D. Logistics

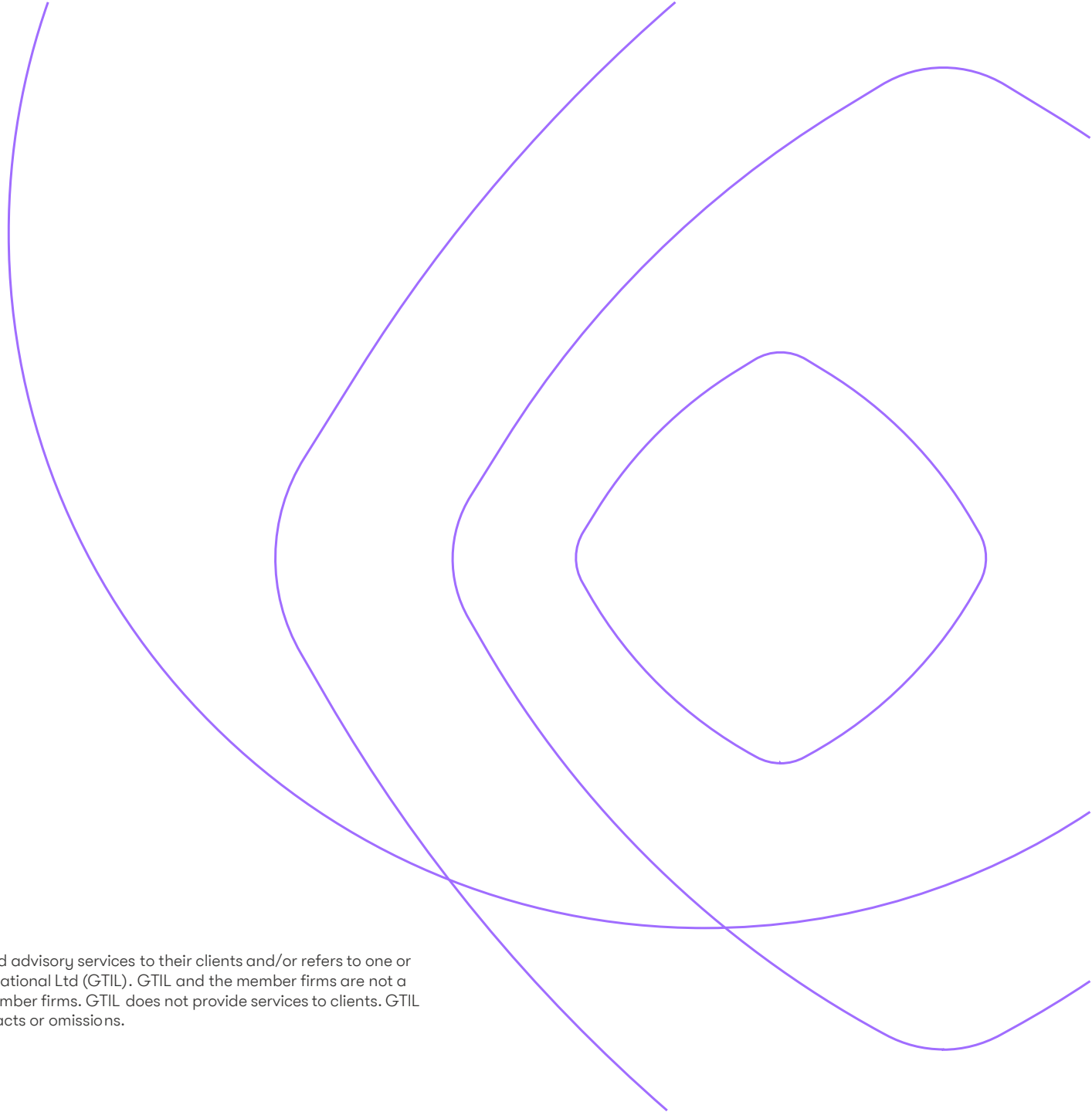
The audit timeline

Key
Dates

Audit
phases:



*It is important to note that the audit opinion can only be issued when the audit opinion is issued for the County Council.



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