

# Kent County Council and Kent Pension Fund

**Audit progress report**

November 2024



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

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# Introduction

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## Your key Grant Thornton team members are:

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This paper provides the Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Paul or Lucy.

# Kent County Council – audit progress

## Financial statements audit

As reported to the Governance and Audit Committee in October 2024, our audit work is substantially complete in execution but is still subject to our internal review processes.

Key outstanding areas of work remain on the Annual Governance Statement, which we are yet to receive, and on the group accounts, where we are waiting on responses from KCC’s subsidiary company auditors.

Our audit work is now well progressed, and we set out below our progress against the significant audit risks identified at the planning stage of the audit. No new additional significant risks have been identified since the issue of our audit plan.

Risk	Progress update
Management override of controls	<ul style="list-style-type: none"> <li>As planned, we have performed audit testing on a sample of journal entries, based on risk criteria set for the Council. Our journal entry testing has identified no issues.</li> <li>Audit work to assess estimates and critical judgements in the accounts is complete, with no issues arising.</li> </ul>
Valuation of land and buildings	<ul style="list-style-type: none"> <li>As planned, we have performed work to understand management’s processes for the obtaining of valuations and entering them in the financial records.</li> <li>We have communicated with the Council’s valuer (Wilks, Head and Eve) to understand assumptions used in the valuations and engaged with an auditor’s expert valuer (Gerald Eve) to confirm the appropriateness of assumptions used.</li> <li>Audit work is substantially complete, subject to internal review processes, with no issues arising to date.</li> </ul>
Valuation of defined benefit pension scheme	<ul style="list-style-type: none"> <li>As planned, we have assessed the work of the actuary (Barnett Waddingham) and the assumptions used to obtain a value of the Council’s share of the Kent Pension Fund at 31 March 2024. Our work is substantially complete.</li> <li>We await assurances from the auditor of the Kent Pension Fund on the controls in place over membership, contributions and benefits data and fund asset valuations</li> <li>A national issue has recently arisen with the application of IFRIC14 on pension fund liabilities. Work undertaken has determined that the national issue does not impact on Kent County Council.</li> </ul>

# Kent County Council – audit progress

## Other areas of work

Risk	Progress update
Employee benefit expenditure	<ul style="list-style-type: none"> <li>As planned, we have performed substantive testing on payroll data to give assurance over the number of full time equivalents in post at the Council to enable us to perform substantive analytical procedures.</li> <li>Substantive analytical procedures have been performed on the staff costs, with no significant variances arising.</li> </ul>
Income testing, including completeness of income	<ul style="list-style-type: none"> <li>As planned, we have substantively sample tested all financially material income streams, with no significant issues arising.</li> <li>We have performed completeness of income testing, to ensure income has been recorded in the correct accounting period, with no significant issues arising.</li> </ul>
Expenditure testing, including completeness of expenditure	<ul style="list-style-type: none"> <li>As planned, we have substantively sample tested all financially material expenditure streams, with no significant issues arising.</li> <li>We have performed completeness of expenditure testing, to ensure income has been recorded in the correct accounting period, with no significant issues arising.</li> </ul>
Group accounts	<ul style="list-style-type: none"> <li>We have communicated with the external auditors of the Council's wholly owned company, Global Commercial Services Group Ltd as we intend to place reliance on their work. We await final confirmation from the auditors of their audit findings to complete our group audit work</li> </ul>
Annual Governance Statement	<ul style="list-style-type: none"> <li>We have not yet been given an Annual Governance Statement to audit, this work remains outstanding.</li> </ul>

We have identified no further audit adjustments since our prior progress report. We have agreed a number of disclosure changes to the financial statements that will be fully set out in our Audit Findings Report at a subsequent Governance and Audit Committee.

## Value for Money

Our Value for Money work is underway, and we intend to issue our Auditor's Annual Report (AAR) with our Audit Findings report in December 2024. The AAR will include detailed follow up of prior year recommendations from both the 2022/23 AAR and the Governance Review.

# Kent Pension Fund - audit progress

## Financial statements audit – progress and outstanding items

Our work is nearing completion and based on work completed to date, there are no matters of which we are aware that would require modification of our audit opinion. See below for details of areas of the audit still in progress or where we are waiting on information from management. We are confident that the residual procedures in the first two boxes below will be completed by the Governance and Audit Committee on the 12 December. Procedures in the last box can only be completed once the accounts have been approved on the 12 December.

### Matters outstanding with management or other stakeholders:

- 2 queries outstanding on Profit and Loss and changes in values of investments

### Audit areas in progress where there are no outstanding issues with management:

- Closure of financial reporting queries raised on the draft financial statements
- ITGC work on the Pension fund System
- Review of PPA disclosure

### Audit procedures which necessarily take place within the concluding stages of the audit:

- Completion of procedures regarding subsequent events
- Senior engagement team quality review
- Responding to IAS 19 request letters
- Receipt of management representation letter
- Review of the final set of financial statements

**Subject to the receipt of the outstanding items and satisfactory completion of the procedures set out on this page, we anticipate issuing an unqualified opinion on the pension fund financial statements and an unqualified consistency opinion for the Annual Report following the Governance and Audit Committee on 12 December.**

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# Kent Pension Fund - audit progress

## Financial statements audit – key findings

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At present there is one non-trivial adjustment that has resulted in an adjustment to the Pension Fund's reported financial position impacting the Net Asset Statement by circa £10m. This was an adjustment identified by management after the draft accounts were produced. We have then audited the revised position as part of our work. The difference arose because management were provided with more up to date information regarding the valuation of some of their investments by investment managers. This type of timing difference is typical and not a cause for concern.

We have also identified a significant adjustment related to the reclassification of investments from Level 2 to Level 3, totalling £727m for the current year and £781m for the prior year. This adjustment has resulted in a Prior Period Adjustment (PPA), which management has already reflected in the updated accounts. We are currently performing our audit procedures on the PPA balance and its disclosure. It is important to emphasise that the misstatement does not impact total net assets. The misstatement only relates to the disclosure of those investments and how they are classified in the notes to the accounts between Level 2 and Level 3 investments.

**Other than the above two issues, there are no other findings which we wish to bring to the attention of the Governance and Audit Committee at this stage. Our detailed Audit Findings Report on the 2023-24 financial statements will be on the agenda of the Governance and Audit Committee in December.**

# Audit deliverables

Below are some of the audit deliverables planned for 2023-24.

2023-24 Deliverables	Planned date*	Status
<p><b>Audit Plan</b></p> <p>We are required to issue a detailed audit plan to the Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023-24 financial statements.</p>	September 2024	Complete
<p><b>Audit Findings Report</b></p> <p>The Council's Audit Findings Report will be reported to the Governance and Audit Committee.</p>	December 2024	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Pension Fund's Audit Findings Report will be reported to the Governance and Audit Committee.</p>	December 2024	Not yet due
<p><b>Auditor's Report</b></p> <p>This includes the opinion on your financial statements for the Council and the Pension Fund</p>	December 2024	Not yet due
<p><b>Auditor's Annual Report</b></p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's Value for Money arrangements.</p>	December 2024	Not yet due



# Audit deliverables – grants

2023-24 Audit-related deliverables	Planned date	Status
Teachers' Pensions		
- Certification 2023-24	TBC	Not started
Agreed upon procedures relating to the Teachers' Pensions end of year certificate		
Teachers' Pensions		
- Certification 2020/21	TBC	In progress
- Certification 2021/22		
- Certification 2022/23		
The Council and Grant Thornton are in discussion with Teachers Pensions' regarding non-submission of these returns as due to the change in administration provider for schools from Capita to HR Connect significant difficulties have been faced in obtaining supporting information.		

