Indicative Audit Plan for Kent County Council

Year ending 31 March 2025

20 March 2025

This audit plan is indicative and subject to change as the prior year audit opinion has not yet been signed

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English Devolution White Paper

On 16 December 2024 , the Secretary of State for Housing, Communities and Local Government, Angela Rayner, presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Challenges of Local Government Reorganisation (LGR)

On 16 December 2024, the Minister for State for Local Government and English Devolution Jim McMahon, wrote to all Councils in remaining two-tier areas and neighbouring small unitaries to set out the plans for a joint programme of devolution and local government reorganisation.

On 5 February 2025, a list of places was announced who had opted in to join the government's Devolution Priority Programme, which would aim to have mayoral elections in May 2026. On the same date, the Minister asked all Councils in two-tier areas to develop unitary proposals, which will bring together upper and lower tier local government services in new unitary councils. For those selected in the 'first wave', they have until 21 March 2025 to develop interim plans, with final plans required by 9 May 2025. Kent County Council and Medway Council had applied to be part of the Devolution Priority Programme, which would see the May 2025 elections postponed and replaced with elections to a Mayoral Strategic Authority in 2026. The application was not taken forward by the Government.

Whilst clearly the proposals are at a strategic level, there are potential impacts on decision making at a local level in the period up to the formal reorganisation taking effect. Of particular concern for some existing bodies is the fact that where reserves have been built up over previous years, either via strong management or for the implementation of a particular redevelopment scheme, they may well end up being repurposed to cover an overspend incurred by a successor body. Thus, there is potentially an incentive for bodies to run down reserves prior to the formal merger, to ensure these balances are utilised for the purposes intended when originally set aside. The same may apply for balances such as the Community Infrastructure Levy, which again is at risk of being utilised for different purposes than was planned in any successor body.

Auditors will be keeping a close eye, as part of their Value for Money work, for any schemes or projects which look to be evidence of reserves being run down in advance of LGR. Whilst Authorities ultimately will still have powers to make some spending decisions in advance of LGR, it is important to make sure that proper governance arrangements remain in place, and that due consideration is given to any schemes which are likely to run beyond May 2026, which is when the first batch of elected mayors are expected to be in place. The fiduciary duty of Members to ensure that the Council to which they are elected manages public funds in a responsible way, maximising their value and use for public benefit is paramount in the lead up to LGR.

In order to help ensure appropriate decisions are made during this period, some questions for Committees to consider include:

- Where earmarked reserves are being utilised, are Committees clear these reserves are being used for the intended plans?
- Where projects are going to run beyond the timeframe of LGR, are Committees comfortable the decision making would stand an appropriate level of challenge and scrutiny?
- Have local residents been consulted in any development plans to ensure they are in line with local needs?
- Do reserve balances remain at a prudent and appropriate level – LGR does not absolve key staff from their statutory responsibilities, particularly around setting a balanced budget and holding a prudent level of reserves.

Where auditors see evidence of funds being utilised in an unintended manner or to the detriment of relevant stakeholders, they will focus on this as part of their Value for Money work and may potentially consider using their statutory powers where they feel they have sufficient evidence to do so.

Other areas of note during this period should include:

- In the short term LGR is likely to require more capacity from a personnel and Senior Officer perspective than less and thus genuine cost savings are unlikely for a few years
- As mentioned earlier, effective governance and stewardship will remain key throughout – thus it is important the likes of Internal Audit, Counter Fraud and the risk management processes remain strong and alert during this period
- Financial statements remain important and should be produced on time during this period and the relevant backstop dates should continue to be met.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding: Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation: The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care and SEND.

Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context	Our Response
• In recent years, the Council has been impacted by significant spend in adult and children's social care beyond the level budgeted, leading to the use of reserves to balance the financial position. We note the significant level of work undertaken by the Council to manage and control this spend in the light of increasing levels of demand across the county. • Our Auditor's Annual Report for 2023/24 noted good progress overall with spending control and savings plans during 2023/24. However, spend on adult social care and health remains stubbornly high. Special educational needs and disability (SEND) is the other area were the Council struggles to contain spend due to ever increasing demand for the services. Despite the Council participating in a safety valve agreement (and complying with its terms), the Council's dedicated schools grant deficit continued to grow in 2023/24.	• Our Value for Money work will continue to review and assess the significant risks to the Council's ongoing financial sustainability.
New accounting standards and reporting developments	
• Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on the next slide.	• Our 2024/25 audit work will include a detailed review of the authority's implementation of IFRS 16. More information can be found on the next slide.
• The FRC issued revisions to ISA (UK) 600 'Audits of group financial statements (including the work of component auditors)'. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.	• Our 2024/25 audit work will include enhanced procedures in respect of audits of group financial statements

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Acting Corporate Director Finance.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working.
- We will continue to have regular, formal meetings with the Chief Executive at least twice a year, and with the Acting Corporate Director Finance quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Governance and Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
- We will continue to provide you and your Governance and Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

IFRS 16 Leases

Summary

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

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

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

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures we have begun to look at the Council's implementation process for IFRS16 and plan to perform detailed review and testing in advance of the final audit fieldwork.

The Backstop

Local Government National Context – 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 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 29 February 2026.

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.

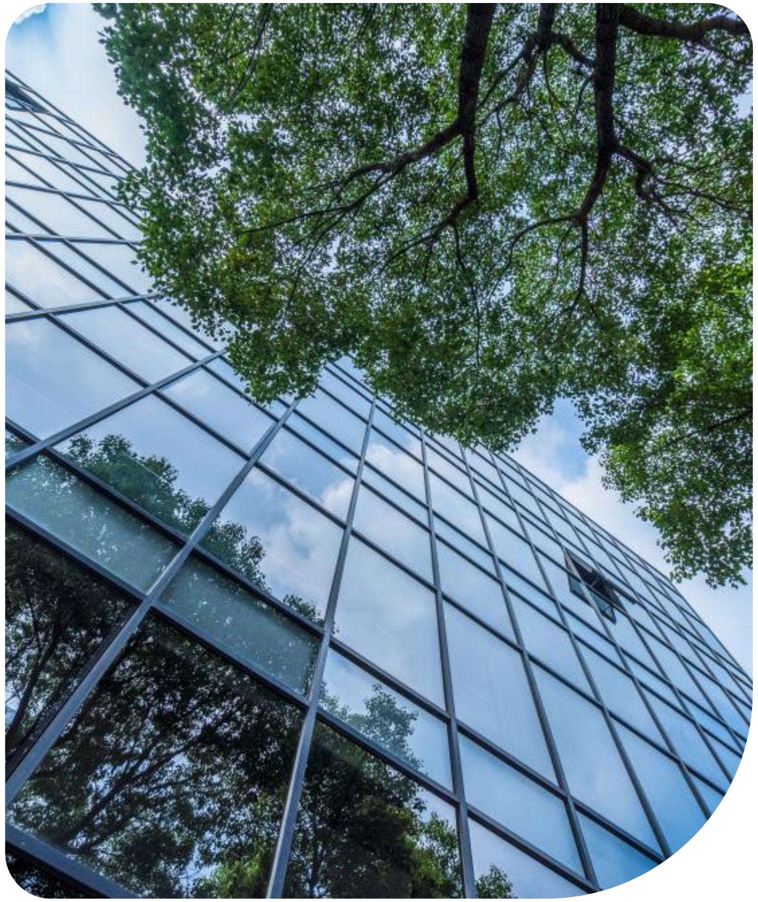
Local Government National Context – Local Audit Recovery

Kent County Council has not been impacted by the backstop arrangements, having had recent years of accounts signed off with unqualified opinions in advance of the backstop dates.

There has been a delay in finalising the 2023/24 audit opinion, due to additional work being undertaken following further information received, primarily regarding the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. An exemption from the 28 February 2025 backstop date for 2023/24 accounts has been obtained. The matter has now been resolved, and the final opinion will be issued shortly after the Governance and Audit Committee on 20 March 2025.

02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Kent County Council ('the Council') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Kent County Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control (presumed risk)
- Closing valuation of land and buildings and investment property
- Valuation of defined benefit asset/liability
- Implementation of IFRS 16.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £45.5m (PY £42m) for the Council, which equates to 1.5% of the Council's prior year gross operating costs. For the Group we have determined planning materiality to be £48m (PY £43m) on the same benchmark.

As part of our risk assessment, we have considered the impact of unadjusted prior period errors. As all of these errors were judgemental and projected, we have made not change to our benchmark of performance materiality which remains at 65% of materiality.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2.275m (PY £2.1m) for the Council and Group.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of:

- Global Commercial Services Group Ltd

Which in turn consolidates the following subsidiaries:

  - Commercial Services Kent Ltd
  - Bowerhouse II Solar Ltd
  - Commercial Services Trading Ltd
  - CSG Global Education
  - Lifecycle Management Group Ltd
  - Prospects Payroll Ltd
  - Gen2 Property Ltd
  - Invicta Law Ltd
  - Cantium Business Solutions Ltd
  - EDSECO Ltd

The Council is also party to a number of joint ventures:

- Hampshire and Kent Commercial Services LLP
- Luton and Kent Commercial Services LLP
- Surrey and Kent Commercial Services LLP
- Dudley and Kent Commercial Services LLP
- Dorset and Kent Commercial Services LLP

Value for Money arrangements

Our 2023/24 judgement on your arrangements to secure value for money identified there were three significant weaknesses across the following categories:

- Financial sustainability
- Governance

Further details of the weaknesses identified are on page 34 of this report.

Our planning work for 2024/25 is not yet complete, but given timing of reporting, we expect the significant weaknesses identified in 2023/24 to still be present.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning work has been started and will be followed up with an interim audit that will take place in late March 2025. Our final audit fieldwork will take place from July to September. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report on the Council's VFM arrangements.

Our proposed fee for the audit is £462,551 (PY: £446,964) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

03 Identified risks

Significant risks identified

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.

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	Our work will include, but not limited to: • Evaluating the design effectiveness of management controls over journal entries • Review of accounting estimates, judgements and decisions made by management • Testing of journals entries, selected on a risk basis • Review of unusual significant transactions • Review of contract waivers and any incidences of non-compliance with procurement regulations

"In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK)." (ISA (UK) 315).

In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We have identified and completed a risk assessment of all revenue streams for the Council and Group. Having considered the risk factors set out in ISA240 and the nature of the Council and the Group's revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited. • The culture and ethical frameworks of local authorities, including that of Kent County Council, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for Kent County Council or the Group	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	We have identified and completed a risk assessment of all expenditure streams for the Council/Group. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively. Our consideration of expenditure streams also included capital expenditure and similarly concluded that there is not a significant risk. Capital expenditure transactions are likely to be larger and subject to more scrutiny, reducing the risk of improper recognition.	We do not consider this to be a significant risk for the Council and Group and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
Valuation of land and buildings (including investment property)	The valuation of land, building and investment property represents a significant estimate by management in the financial statements due to the large values involved and the sensitivity of estimates due to changes in key assumptions	The Authority revalues its land and buildings on a rolling four-yearly basis so that management can ensure the carrying value in the Authority and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement. Our work will focus in the areas where we consider the risk to be most pertinent: • assets which are material by value; • assets where the valuation movement differs significantly to what we would expect based on indices; • assets where we are aware of a significant change in any of the key assumptions from the prior period; and • any other factors which in our auditor judgement increases the risk of material misstatement in a particular asset	Our work will include but will not be limited to: • Evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluating the competence, capabilities and objectivity of the valuation expert. • Writing to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met. • Engaging our own valuer to assess the instructions to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation. • Testing revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements. • Assessing the value of a sample of assets in relation to market rates for comparable properties. This will include operational land and buildings as well as investment properties.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
Valuation of the pension fund net asset/liability	The pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.	The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£38m in the Council's balance sheet at 31 March 2024, having reduced from £62m at 31 March 2023) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of Practice on Local Authority Accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund liability as a significant risk.	Our work will include, but not be limited to: • Updating our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assessing the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assessing the reasonableness of the actuary's assumptions and calculations in-line with the relevant standards. • Assessing the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability. • Testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • If a pension asset is recorded, ensuring that the asset recorded in the financial statements meets the requirements of IFRIC 14. • Undertaking procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Obtaining assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	**Planned audit procedures**
Valuation of leased assets and rebasing of PFI liabilities	The implementation of IFRS 16 which requires the value of leased assets to be shown on the balance sheet, with a corresponding lease liability. This includes leases on a peppercorn rental which require to be shown at market value. Existing PFI liabilities require to be restated.	The implementation of IFRS 16 is a significant change to the disclosures made by the Council in their financial statements with regard to leases. An initial review performed by the Council indicated the impact would be £23.7m, however, this did not include the recalculation of the PFI liabilities or peppercorn lease agreement.	Our work will include, but not be limited to: • Documenting our understanding of the processes and controls put in place by management to ensure that the Council's lease agreements are not materially misstated. • Reviewing steps implemented by management to identify leases which are impacted by IFRS16 and confirming they meet the requirements of the CIPFA Code of Audit Practice (Code). • Reviewing and reperforming calculations to determine the future lease liabilities using present value calculations • Reviewing and reperforming calculations on PFI liabilities to ensure they meet the requirements of IFRS 16 and the Code.

Other risks identified

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk	Description	Planned audit procedures
Going Concern	In common with other local authorities, our value for money work in recent years has identified significant risks regarding the financial sustainability of the Council. The S25 report from February 2025 recognises the risks that the Council faces in the future, planned use of reserves but also the replenishment of reserves in future years. The High Needs Block and its funding remains a risk to the Council but is partially outwith its control.	We have considered the ongoing and future financial pressures faced by the Council in planning the audit. We are satisfied that the going concern basis of accounting remains the correct basis behind the preparation of the accounts. We will keep this under review during the year and throughout our appointment as external auditors of the Council. Our Value for Money work will continue to consider the financial sustainability of the Council.

"The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated." (ISA (UK) 315)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
  - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
  - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
  - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

04 Group Audit

Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Kent County Council	Yes	Audit of the entire financial information of the component	Group auditor	Details are set out on pages 15 to 23	Grant Thornton UK
Global Commercial Services Group Ltd	Procedures to be performed on Global Commercial Services Group Ltd and its subsidiaries are still being determined				UHY Hacker Young

Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of UHY Hacker Young will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of their audit documentation and meeting with appropriate members of management.

We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to the component auditor's working papers we will report the impact of such impediments on the audit of the group financial statements.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

Key changes within the group

- We are not aware of any changes within the Kent County Council Group other than some in year acquisitions which we will give due consideration to.

05 Our approach to materiality

Our approach to materiality

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

	Description	Planned audit procedures
01	**Determination** We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	• We determine planning materiality in order to: – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
02	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements	• An item may be considered to be material by nature when it relates to: – instances where greater precision is required
03	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality
04	**Matters we will report to the Governance and Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.275m (PY £2.275m). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

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

	Group Amount	Council Amount	Qualitative factors considered
Materiality for the financial statements	£48,000,000	£45,500,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore gross expenditure was deemed the most appropriate benchmark. This benchmark was also used in the prior year. We considered 1.5% to be an appropriate rate to apply to the gross expenditure benchmark.
Performance Materiality	£31,200,000	£29,575,000	Performance Materiality is based on a percentage of the overall materiality. We have determined to apply 65% of overall materiality considering the requirements of ISA 320.
Specific materiality for Senior Officer remuneration	N/A	£20,000	Senior officer remuneration is an area of interest to readers of financial statements. A lower level of materiality in these areas is appropriate due to the nature of these disclosure notes. We have therefore assessed a specific materiality for senior officer remuneration that is £20k per each senior officer. Note this is not a cumulative amount and will be applied to each senior officer.

07 IT audit strategy

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle EBS	Financial reporting, expenditure, payables, payroll and journal entries	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs
Fixed Asset Register (Excel)	Property, plant and equipment, investment properties and leases	Our IT Audit team will perform work to obtain assurance that the ITGCs are designed and implemented effectively. We do not plan to test the operating effectiveness of ITGCs

09 Value for Money Arrangements

Value for Money Arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

Financial sustainability

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

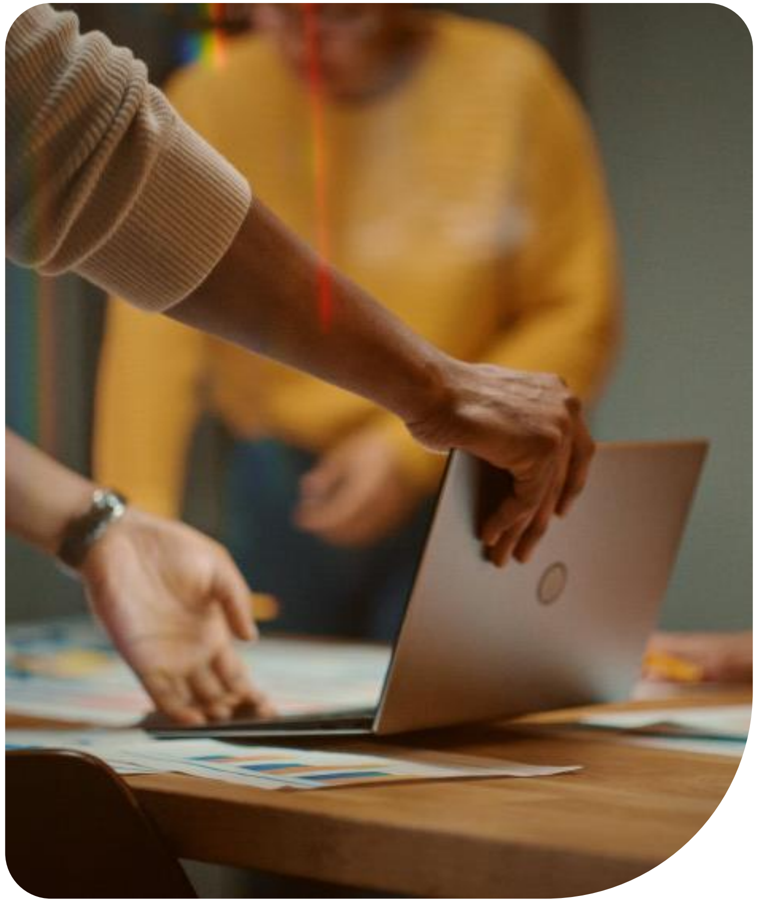
Governance

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

Improving economy, efficiency and effectiveness

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

Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements		2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	Significant weaknesses in arrangements for financial sustainability identified. Two key recommendations made relating to adult social care and health directorate and the high needs block.	Risk of significant weakness in arrangements. While improvements were noted in the Council's arrangements for achieving financial sustainability during our 2023/24 audit, we consider that a risk of significant weakness remains.	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness remains. This will focus on arrangements for: • Delivery of efficiencies and controlling overspends in Adult Social Care • Control of expenditure on SEND services and the high needs block • Effective budgetary control and delivery of savings in with Council Plans • Delivery and affordability of the capital programme
Governance	R	Significant weakness in governance arrangements identified. Key recommendation made relating to high priority Internal Audit recommendations.	Risk of significant weakness in arrangements	Given the risk of significant weakness identified, we will undertake additional risk-based procedures to assess whether a significant weakness remains. This will focus on arrangements for: • Effective and timely implementation of high priority internal audit recommendations • Demonstrating improvement in the Council's key decision-making arrangements in line with prior governance findings • Preparation for local government reorganisation
Improving economy, efficiency and effectiveness	A	No risks of significant weakness reported; one improvement recommendation made	No risks of significant weakness identified	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor's annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor's Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor's Report and included within our audit opinion.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

10 Logistics

Logistics

The audit timeline

Key Dates

- Year end: 31 March 2025
- Close out: 29 August 2025
- Governance and Audit Committee: 24 September 2025
- Sign off: 30 September 2025

Audit phases:

Planning – 2 weeks

w/c 17 February 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Audit Committee
- Issue the Audit Plan to management and Audit Committee
- Planning meeting with Governance and Audit Committee to discuss the Audit Plan

Interim – 2 weeks

w/c 24 March 2025

Key elements

- Document design effectiveness of systems and processes
- Review of key judgements and estimates
- Review of IFRS 16 workings
- Issue Audit progress report and sector update to management and Audit Committee
- Any planned additional testing – PPE additions, PPE disposals, pay expenditure

Final – 11 weeks

w/c 16 June 2025

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management

Completion – 1 week

w/c 1 September 2025

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- ‘Hot review’ of the financial statements
- Draft Audit Findings issued to Governance and Audit Committee
- Audit Findings presentation to Governance and Audit Committee
- Auditor’s Annual Report
- Finalise and sign financial statements and audit report

Our team and communications

Grant Thornton core team

Paul Dossett

Engagement Lead/
Key Audit Partner

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

Lucy Nutley

Senior Audit Manager

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

Zargham Malik

Audit Manager

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

Thomas Foster

VFM Lead Manager

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

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings • Auditor's Annual Report	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates • Chief accountant's workshop
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• 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.

11 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's Ethical Standard (revised 2024) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Kent County Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £462,551.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here Fee Variations Overview – PSAA

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Entity	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Kent County Council financial statement audit	446,964	462,551
Fee variation – Additional technical review	9,494	
Fee variation – ISA 315		15,690
External expert – building valuations		10,000
Total (Exc. VAT)	**456,458**	**488,241**

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- Actuarial valuation of the defined benefit pension liability
- RICS compliant valuation of land and buildings and investment property

Previous year

In 2023/24 the scale fee set by PSAA was £446,964. The actual fee charged for the audit was £456,458.

12 Independence considerations

Independence considerations

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

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

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. There have been no such breaches to report.

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

Independence considerations (continued)

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

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

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

Following this consideration we can confirm that we are independent at planning 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 below sets out the non-audit services charged from the beginning of the financial year to 20 March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

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

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

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

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers Pensions Return 2023-24	15,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £15,000 in comparison to the total fee for the audit of £462,551 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	**15,000**		

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

13 Communication of audit matters with those charged with governance

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 and Key Audit Matters	●	
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	●	●
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	●	●
Views about the qualitative aspects of the Council and Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
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.		●

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

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.

14 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

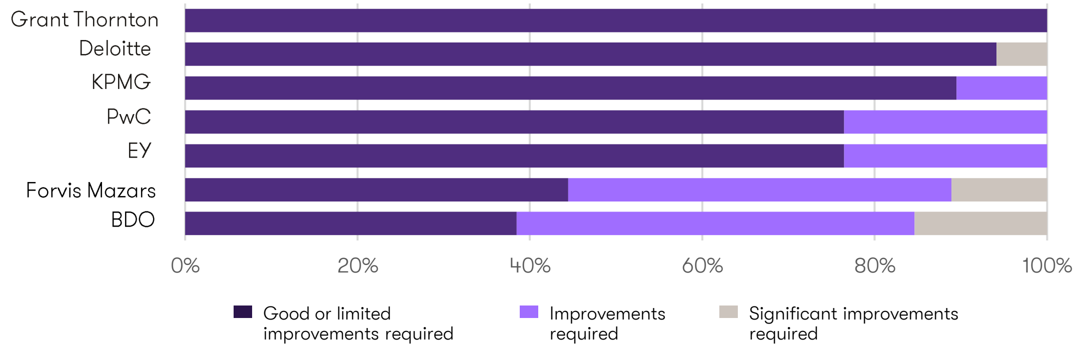
Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit

15 Appendices

New or revised accounting standards that are in effect

First time adoption of IFRS 16 Lease liability in a sale and leaseback	• IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. • This year will be the first year IFRS 16 is adopted fully within Local Government.
IAS 1 amendments Non-current liabilities with covenants	• These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
Amendment to IAS 7 and IFRS 7 Supplier finance arrangements	• These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of ‘Operating profit or loss’ subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

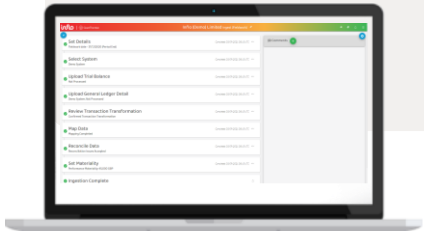
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement