External Audit Plan for Kent Pension Fund

Year ending 31 March 2025

July 2025

Contents

01 Key developments impacting our audit approach

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 Ministry of Housing, Communities and Local Government (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 Context

Administration and Governance

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

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

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

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

Key developments impacting our audit approach (continued)

National and International Context

Investments and Funding

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

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

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

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

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

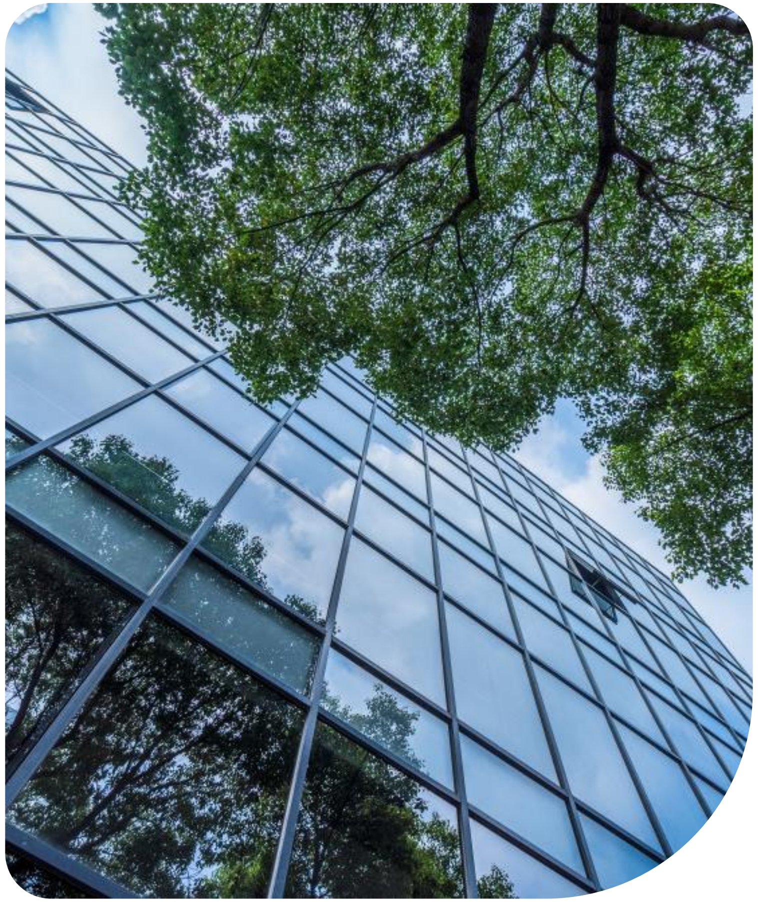
Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. The work and fee proposal are detailed in this audit plan. On the Page 29, the plan, outlines the four contractual stage payments linked to specific audit milestones.
- 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 continue to engage well with your finance team and will agree the appropriate approach for 2024/25.
- We would like to offer a formal meeting with the Head of Pensions and with the Director of Finance at least twice yearly 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, and
    - In line with best practice, offer to meet in private with the full Governance and Audit Committee.
- 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 and other sector commentators via our Governance and 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.

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 Pension Fund ('the Fund') 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 agreed 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 the Kent Pension Fund. We draw your attention to these documents in the links below.
- Terms of Appointment from 2023/24 - PSAA
- Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA

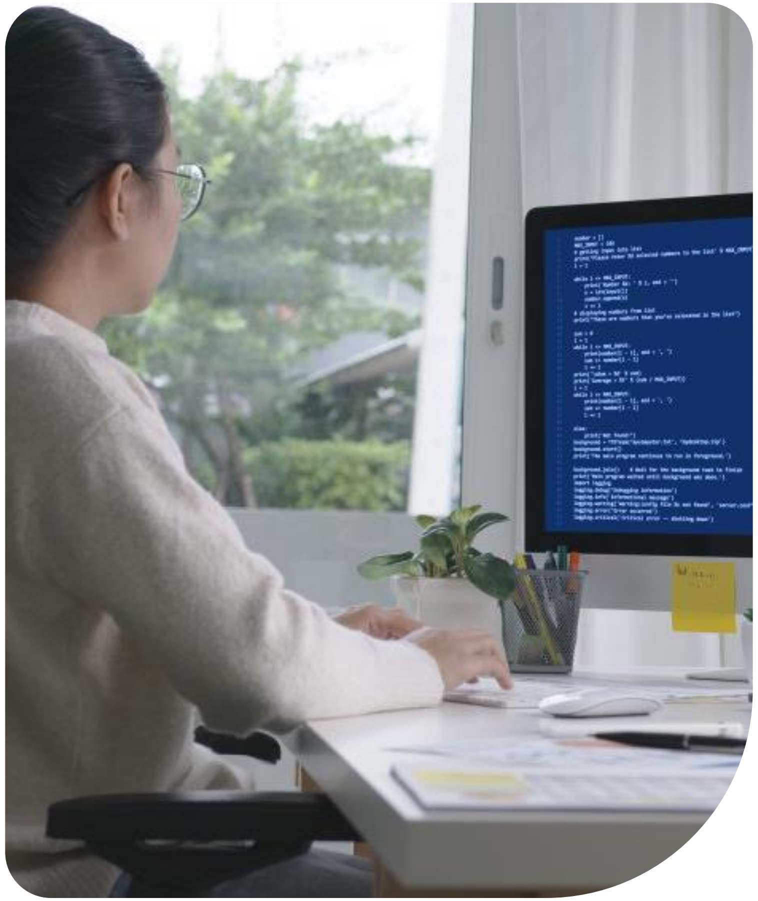
Scope of our Audit

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 Fund'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 Fund.

The audit of the financial statements does not relieve management or the Governance and Audit Committee of their responsibilities. It is the responsibility of the Fund 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 Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Fund'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
- Valuation of Level 3 investments
- Valuation of Directly held properties

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 £122.1m (PY £118.3m) for the Pension Fund, which equates to 1.5% of your gross investment assets as at 31 March 2024.

We have determined a lower specific planning materiality for the Fund Account of £35.3m (PY £31.85m), which equates to 10% of prior year gross expenditure on the fund account.

We are obliged to report uncorrected omissions or misstatements other than those which are “clearly trivial” to those charged with governance. Triviality has been set at £6.11m (PY £5.9M). We have set our performance materiality at 75% of headline materiality £91.58m (PY £88.75M).

We will revisit our determination of materiality after receipt of your draft financial statements. If we make a revision to materiality, we will communicate this to you in our audit finding report.

Audit logistics

Our interim visit will take place in March 2025 and our final visit will take place in July 2025 to September 2025. Our key deliverables are this Audit Plan our Audit Findings Report and the Audit Report (opinion).

Our proposed fee for the audit is £121,429 (PY: £117,279) for the Fund, subject to the Fund 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.

Our understanding is that the Custodian independently values the Pension Funds Level 1 and some of Level 2 Investments. This means we will be able to triangulate valuations included in the financial statements for these investments to custodian and investment manager confirmations. However, for those not independently valued we will carry out further audit procedures to gain assurance over the valuations of these investments, for instance for level 2 investments we will agree these to market information, where available and we will supplement this with other information (e.g. the financial statement for pooled property funds) where market information is not readily available.

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 Significant	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.	We will: • evaluate the design and implementation effectiveness of management controls over journals entries; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • Identify unusual journals entries made during the year and at the account production stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

"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
Valuation of Level 3 Investments (excluding directly held properties) Significant Relevant Assertion(s) Valuation Applicable Assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the numbers involved (PY: £1.03bn excluding directly held properties) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk. Under ISA 315 significant risk often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodian as valuation expert to estimate the fair value as at 31 March 2025.	We will: • Obtain an understanding of the management processes for valuing Level 3 investments and evaluate the design and implementation effectiveness of the associated controls; • review the nature and basis of estimated value and consider what assurance management has over the year end valuations provided for these types of investments to ensure that the requirements of the code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2025 with reference to known movements in the intervening period; • where available review investment manager service auditor report on design and operating effectiveness of internal controls; • evaluate the competence, capabilities and objectivity of the valuation expert; and • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met.
Valuation of Directly Held Property Significant Relevant Assertion(s) Valuation Applicable Assertion(s) Valuation, Rights & Obligations, Presentation Planned level of control reliance None	The valuations of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud.	The Pension Fund has directly held property within its Level 3 investment portfolio and will be valued by management's expert as at 31 March 2024. The valuations represent a significant accounting estimate by management in the financial statements due to the size of the numbers involved (PY: £461.77m) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of direct held property as a significant risk.	We will: • Obtain an understanding of the management processes and evaluate the design and implementation effectiveness of the associated controls; • Evaluate management's processes and assumptions for the calculation of the estimates, the instruction issued to the valuation experts and the scope of the work; • Evaluate the competence, capabilities and objectivity of the valuation expert; • Write to the valuer to confirm the basis on which the valuations were carried out; • Engage our own valuer to assess the instruction to the fund's valuer report and the assumption that underpin the valuation; • Challenge the information and assumption used by the valuer to assess completeness and consistency with our understanding; and • Test on a sample basis, revaluation made during the year to ensure they have been recorded accurately within Kent pension fund's financial record.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions Rebutted	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
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 Fund. 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, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Pension Fund.	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

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 an 'other 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
Valuation of Level 2 Investments Significant class of transactions Relevant Assertion(s) Valuation Applicable Assertion(s) Existence, Rights & Obligations, Presentation Planned level of control reliance None	Level 2 investments do not carry the same level of inherent risks associated with level 3 investments, however there is still an element of judgement involved in their valuation as their very nature is such that they cannot be valued directly (PY: £5.03bn). As a result, the valuation of the Fund's Level 2 investments have been identified as 'other risk' of material misstatement.	We will: **Where we can rely on the valuation from the custodian (investments valued independently by custodian):** • Document our understanding of the processes in place by management in relation with level 2 investments; • Agree the valuation to the confirmation received from the investment manager; • Agree the valuation to the confirmation received from the custodian; • Obtain and review a service auditor's report on internal controls for the custodian; • Review management's classification in the fair value hierarchy for a sample of level 2 investments. **Where we cannot rely on the valuation from the custodian (Investments not independently valued by custodian):** • Document our understanding of the processes in place by management in relation with level 2 investments; • Agree the valuation to the confirmation received from the investment manager; • Agree the valuation to the confirmation received from the custodian • Agree the valuation back to quoted prices at year-end where available; • Compare the valuation to purchase and sale transactions near the reporting date (where appropriate); • Review the guidelines under which the investment has been valued (where appropriate); • Obtain and review a service auditor's report on internal controls for the investment manager; • Review management's classification in the fair value hierarchy for a sample of level 2 investments; • Carry out more detailed testing where the planned procedures do not provide sufficient assurance.
Actuarial Present Value of Promised Retirement Benefits disclosure – IAS 26 Significant class of transactions Relevant Assertion(s) Valuation Applicable Assertion(s) Presentation Planned level of control reliance None	The Fund discloses the Actuarial Present Value of Promised Retirement Benefits within its Notes to the Accounts. This represents a significant estimate in the financial statements. The Actuarial Present Value of Promised Retirement Benefits is considered a significant estimate due to the size of the numbers involved (PY: £7,924m) and the sensitivity of the estimate to changes in key assumptions. While there is a risk of misstatement in this estimate, we do not consider this be a significant risk for current year as the estimate is disclosure only and it is not a full triennial valuation year. We therefore identified valuation of the Fund's Actuarial Present Value of Promised Retirement Benefits as 'other risk'.	We will: • document our understanding of the processes in place by management in relation with Actuarial Present value of promised retirement benefits; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Fund's valuation; • assess the accuracy and completeness of the information provided by the Fund to the actuary to estimate the liability; • test the consistency of disclosures with the actuarial report from the actuary; and • undertake 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. • We will obtain assurance that the membership data testing conducted in the previous year remains reliable for the valuation as of 31 March 2025.

Other risks identified (continued)

Risk	Description	Planned audit procedures
Benefits payable Significant class of transactions Relevant Assertion(s) Accuracy Applicable Assertion(s) Completeness, Occurrence, Presentation Planned level of control reliance None	Pension benefits payable represents a significant percentage of the Fund's expenditure (PY: £303.18m). We therefore identified the completeness, accuracy and occurrence of the transfer of pension benefits payable as a risk of material misstatement.	We will: • Gain an understanding of the fund's process in relation with benefits payable; • Evaluate the Fund's accounting policy for recognition of pension benefits expenditure for appropriateness; • Gain an understanding of the Fund's system for accounting for pension benefits expenditure; • Test a sample of lump sums to relevant source information and compare them to the lump sum payment out of pension fund bank account; • Examine a sample of pensions to validate eligibility, conduct pension recalculations, verify pensions against payslips, and compare payslip amounts with the payment from the pension fund bank account; and • Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in pensioner numbers and increases applied in year to ensure that any unusual trends are satisfactorily explained.
Contributions receivable Significant class of transactions Relevant Assertion(s) Completeness Applicable Assertion(s) Accuracy, Occurrence, Presentation Planned level of control reliance None	Contributions from employers and employees represents a significant percentage of the Fund's revenue (PY : £321.21m). We therefore identified the completeness and accuracy of the transfer of contributions as a risk of material misstatement.	We will: • Gain an understanding of the fund's process in relation with contribution receivables; • Evaluate the Fund's accounting policy for recognition of contributions for appropriateness; • Gain an understanding of the Fund's system for accounting for contribution income; • Test a sample of contributions to source data to gain assurance over their accuracy and occurrence; and • Test relevant member data to gain assurance over management information to support a predictive analytical review with reference to changes in member body payrolls and the number of contributing employees to ensure that any unusual trends are satisfactorily explained; • Gain assurance over changes to admitted/scheduled bodies. • Gain assurance over the completeness of employer contribution through agreeing total contribution for each employer to employer contribution records.

Other matters

Other work

The Pension Fund is administered by Kent County Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements.

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

- We read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

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 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.

Matter	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 Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements. Users of the pension fund's financial statement are aware of the regulated environment and the nature of the scope of the organization's activities. We have not identified any sensitivities regarding users expectations We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines. Based on our analysis, we established the materiality of the Fund's financial statements using the gross investment assets as of March 31, 2024. At the planning stage, the materiality for the Fund's financial statements is £122,100,000, representing 1.5% of your gross investment assets. The benchmark remains consistent with the prior year at 1.5%, and we have not identified any factors that would warrant a reduction in this percentage.	• 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. • Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.
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 Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. • In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £6,105k (PY £5,900k). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and 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.

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund's financial statements	122,100,000	In determining the planning materiality for the audit, we have considered user expectations, and the level of risk associated with this engagement. Given that Kent Pension fund is a large pension fund with a higher profile, we have set materiality as 1.5% of gross investment assets, which we consider an appropriate threshold for planning purpose. We have also performed an analysis by considering the materialities of the Grant Thornton admitted bodies to evaluate the materiality benchmark, taking their share of assets into consideration. This analysis is conducted to provide appropriate IAS 19 assurance and is a required task in accordance with our firm's guidelines. This analysis also indicates that 1.5% is an appropriate benchmark. Last year, we used the same benchmark (1.5%) to determine materiality, and we see no justification for reducing it further.
Performance materiality for the Fund's financial statements	91,575,000	We have set the performance materiality at 75% of the overall materiality, consistent with last year. In determining this benchmark, we reviewed the previous year's audit work and did not find any significant misstatements or deficiencies within the control environment. Additionally, there are no indications of increased fraud risk, leading us to conclude that maintaining the same level of performance materiality as the previous audit is appropriate.
Triviality*	6,105,000	Triviality is based on a percentage 5% of the overall materiality
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	35,300,000	This benchmark is calculated as a percentage of the fund expenditure as of 31 March 2024, which has been set at 10%. In determining this benchmark, we considered that the Kent pension fund does not have complex contributions and benefits, and there is consistency in the accounting system used by the pension fund, reducing the risk of misstatement. Therefore, we believe that 10%, the same as last year, will be an appropriate benchmark for fund accounts materiality.
Performance materiality for the fund account	26,475,000	Performance materiality is calculated as 75% of the total materiality of the fund account. Considering the review of the previous year's audit work, during which no significant deficiencies or misstatements were identified, we have determined that maintaining the 75% level is appropriate and consistent with the prior year's approach.

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

05 Progress against prior year audit recommendations

Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund’s financial statements, which resulted in two recommendations being reported in our 2023/24 Audit Findings Report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issues
Low	Lack of review of Journals In our review of management override of control we note that Journals can be posted and approved by the same person. Risk Without proper segregation of duties, the same individual may be responsible for both initiating and posting journal entries. This increase the risk of error, omissions or irregularities going undetected, as there is no independent review of transactions.	**Management response:** Journaling is done based on supporting information which is clearly identifiable, without the need of estimation and application of judgement. None of these involve making a cash payment and therefore of low financial risk to the Fund. We do not therefore exercise separation between creating and approving journals for these categories of transactions. However, as you will have seen we have an extensive regime of reconciliations of all the above transactions both during the year as well as at the year end. In the case of investments these reconciliations include third party Custodian records as well the reporting from investment managers and for contributions income, the reconciliations involve year end returns from each employer at each employee level. The year end account preparation process also includes variance analysis at each subjective level to identify any mis posting or unusual items which may not be picked up through the reconciliations. We believe that as a result of the nature of journals both the likelihood and the impact of any mis-posting is low and can be easily and efficiently rectified through the reconciliations We believe that these reconciliations provide an efficient and effective control over the posting of journals and is a proportionate tool to mitigate any risk. However, we are also reviewing journal controls as a result of the Oracle Cloud Programme
Low	Outside of General ledger adjustments We identified from our investment testing work that the investment assets are recorded on book cost in the general ledger and market values of the investment assets are reconciled and recorded through outside ledger reconciliation excel sheet. We would expect all the transaction to be routed through general ledger. Risk There is an increased risk of human errors and misstatement where investments change in MV are recorded on manual spreadsheet.	**Management response:** We do not believe that the current system that is in place for recording and reconciling the investment values presents any greater risk of errors and misstatements. As you are aware all investments transactions, including purchases, sales and income and expenditure are already recorded on the general ledger. Additionally, the Pension Fund has a robust process of recording and reconciling all investment valuations against Fund manager as well as independent custodian records (which takes into account both holdings as well as pricing) periodically as well as at the year end. Whilst we accept that it would be preferable to have all investment market values reflected in the general ledger, we are conscious of the effort, and time that will be required for such a project. We will investigate this further and look at opportunities to move this in due course.

06 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 stated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Oracle	Financial reporting	• Detailed ITGC assessment (Design effectiveness only) *
Pension Administration System - Altair	Member Data/Benefit payable/contribution receivables	• Detailed ITGC assessment (Design effectiveness only)

* The financial reporting system is hosted by the administrating authority (The County Council) of whom Grant Thornton are also the auditor for and will perform a review of, this review will be used for the pension fund audit.

07 Logistics

Logistics

The audit timeline

Key Dates

- Governance and Audit committee: 20 March 2025
- Year end: 31 March 2025
- Governance and Audit committee: 24 September 2025
- Audit opinion* 30 September 2025

Audit phases:

Planning visit – March 2025

Key elements

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

Audit plan

Key elements

- Audit team to present the audit plan

Year end audit

July – September 2025

Key elements

- Audit teams to complete fieldwork and detailed testing
- Weekly update meetings with management
- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Auditing Findings issue to Governance and Audit Committee

Audit Finding report

Key elements

- Audit team to present the Audit Finding report to Governance and Audit committee

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

Our team and communications

Grant Thornton core team

Parris Williams

Engagement Lead

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

Zargham Malik

Audit Manager

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

Tram Nguyen

Audit In-charge

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

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion	• Audit Plan to be shared in draft with management for comments	• 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.

08 Fees and related matters

Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Kent Pension Fund Audit	105,099	116,779
Auditor's expert used for the valuation of direct property investment	4,650	4,650
ISA 315	7,530	-
Total (Exc. VAT)	**117,279**	**121,429**

Our fee estimate:

The scale fee set by PSAA has increased from £105,099 to £116,779. A large part of the increase is due to the requirements of ISA 315 now being included within the base scale fee set by PSAA.

The 2023/24 fee variation in relation to our auditor's expert used to gain assurance on the valuation of direct property investment is still subject to PSAA approval. The fee variation is based on the invoice Grant Thornton received from the work we commissioned by an external valuer. The 2024/25 is therefore an estimate based on the actual cost of this work in 2023/24. We do not envisage a significant change in the scope of the work of our auditor's expert.

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Fund 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 while 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.

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 2017, PSAA awarded a contract of audit for Kent Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors The scale fee set out in the PSAA contract for the 2024/25 audit is £116,779.

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.

09 Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). **In this context, there are no matters that we are required to report.**

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

We confirm that there are no significant facts or matters that impact on our independence 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 and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent 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 a current date, 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 Fund'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 Pension Fund. 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 in that we add safeguard.

Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
IAS19 Assurance letters to the NAO in respect of the admitted body Ebbsfleet Development Corporation*	3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit is £121,429 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is fixed fee and there is no contingent element to it. These factor all mitigate the perceived self-interest threat to an acceptable level.
Total non-audit fees (excluding VAT)	**3,500**		

*It is important to note that IAS 19 report provided to the auditors of local authorities and NHS bodies are included within the scale fee. However, any IAS 19 report requested by the auditors of bodies outside this scope is not covered by the scale fee and is therefore treated as a non-audit fee. We have received a formal request from the National Audit Office (NAO), and we are therefore proposing a fee of £3,500 — consistent with the fee charged for the 2023/24 audit.

This covers all services provided by us and our network to the Fund, 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.

10 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	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
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.

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

11 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.

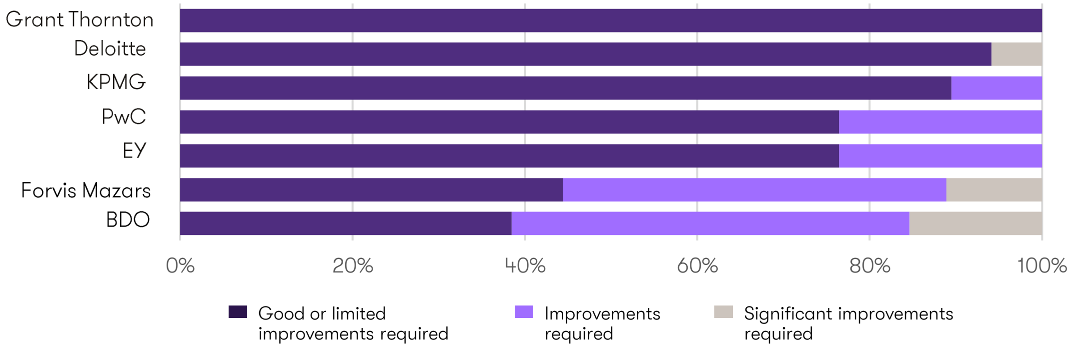
Digital differentiation

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

12 Appendices

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

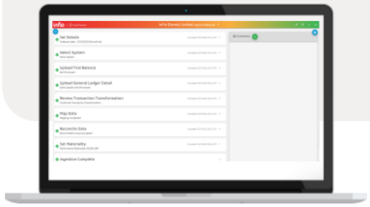
- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

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

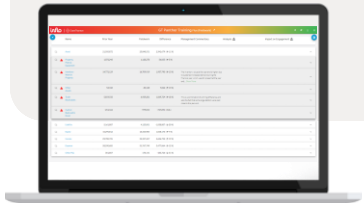


03 Detect

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



Grant Thornton