

Kent County Council Kent Pension Fund

Audit progress report and sector updates

July 2026

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Audit Progress Report

Introduction



Sarah Ironmonger

Key Audit Partner – Kent County Council

T: 0788 045 6149

E: sarah.l.ironmonger@uk.gt.com

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

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

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

[Local government | Grant Thornton](#)

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



Lucy Nutley

Senior Manager – Kent County Council

T: 0755 707 3277

E: lucy.h.nutley@uk.gt.com



Parris Williams

Key Audit Partner – Kent Pension Fund

T: 0796 123 7350

E: parris.williams@uk.gt.com

Progress as at July 2026

Financial Statements Audit

2025/26 Audit – Kent County Council

We presented our audit plan for the 2025/26 audit to the Governance and Audit Committee in March 2026. No changes have arisen since that point that would require a change to the audit plan.

The Council published their unaudited statement of accounts and annual governance statement on 30 June 2026, in line with the national deadline for doing so. Our review of the statement of accounts is ongoing.

Our audit work has begun, with a period of sample selection and digital analysis of the ledger. Audit fieldwork will begin in earnest on Monday 13 July, to be concluded by September 2026. Fieldwork will be completed on a hybrid basis, with the audit team working with the finance team in Sessions House regularly throughout the audit.

We continue to meet with the Chief Executive, Deputy Chief Executive, Monitoring Officer and Corporate Director Finance on a regular basis.

2025/26 Audit – Kent Pension Fund

We presented our audit plan for the 2025/26 audit of the Kent Pension Fund to the Governance and Audit Committee in March 2026. No changes have arisen since that point that would require a change to the audit plan.

The Fund published its unaudited financial statements within the statutory reporting timetable.

Our audit work has begun, with a period of sample selection and interim audit procedures. Good progress has been made during the Phase Zero/interim audit phase, including completion of substantial planned testing across key audit areas. Audit fieldwork will begin in earnest on Monday 13 July, to be concluded by September 2026.

We continue to meet regularly with Fund management and officers to support the delivery of the audit in line with the accelerated reporting timetable.

Progress as at June 2026

Value for Money

We presented our audit plan for the 2025/26 Audit to the Governance and Audit Committee in March 2026. No changes have arisen since that point that would require a change to the audit plan.

Our initial assessment of the risks of significant weakness were as follows:

- Financial sustainability – Adult Social Care spend
- Financial sustainability – spend on High Needs Block of SEND
- Financial sustainability – foregoing full Council Tax flexibility in 2026/27 budget
- Governance – potential decision-making impacts of changes in the administration

Fieldwork for Value for Money work has begun with a number of interviews arranged with key stakeholders across the Council.

Other areas

The certification of the Teachers Pensions Returns for 2021/22 and 2022/23 have been completed and submitted. Work is ongoing on the remaining years outstanding.

Audit Fees

PSAA have published their scale fees for 2025/26. For Kent County Council these fees are £475,501 for the Authority audit and £118,623 for the Pension Fund. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

We have not yet agreed a fee variation for the 2024/25 audit with PSAA, covering additional work for the implementation of IFRS 16 and the cost of additional technical advice on matters arising. The fee variation will be reported to the Governance and Audit Committee when it is agreed with PSAA and management.

Audit Deliverables

Below are some of the audit deliverables planned for 2025/26

2025/26 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council’s 2025/26 financial statements.	25 March 2026	Complete
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	30 September 2026	Not yet due
Auditor’s Report This includes the opinion on your financial statements.	30 September 2026	Not yet due
Auditor’s Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	30 September 2026	Not yet due

Sector Updates

Regaining assurance

Local audit recovery update

A major challenge for auditors in regaining assurance, and returning to an unqualified audit opinion, is that without undertaking audit work in respect of old year transactions, where these were not subject to audit procedures, there will be uncertainty as whether reserves have been properly accounted for.

The National Audit Office (NAO) published guidance in September 2024 for auditors, as part of its Local Audit Reset and Recovery Guidance (LARRIG) series. This sets out key considerations that may assist auditors in regaining assurance at audited bodies where the audit report has been disclaimed due to the backstop.

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- Assess risk at an entity wide level
- Assess risk at a line item level including in respect of specific balances and reserves
- Determine a response to risk, including appropriate testing of prior year transactions.

For many authorities a reasonable pathway exists through the application of the auditing standards to where the auditor may issue an opinion that is based upon sufficient appropriate audit evidence. The guidance is clear that the timeframe in which this can be achieved will vary depending on the circumstances of individual engagements. It is also clear that there will be authorities where it may not be possible to recover assurance solely through the application of the auditing standards.

The first priority at all audited bodies which have previously been backstopped is to gain assurance regarding in year transactions and closing balances for the current audit year. Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance.

The Ministry of Housing, Communities and Local Government has requested an assessment by 31st July 2026 of capacity for rebuilding assurance. This needs to be shared with PSAA and with the Audit Committee. This is in train with all impacted Kent district councils.

Devolution and local government reorganisation

Audit Committee are encouraged to review our good practice checklist and reach out for latest technical updates.

Latest key developments to be aware of:

- ❖ 25th March 2026 – Government decisions published on unitary structures for four of the six Devolution Priority Programme (DPP) areas. Next steps published for the remaining two areas. [Written statements - Written questions, answers and statements - UK Parliament](#)
- ❖ 29th April 2026 – Royal Assent given to the English Devolution and Community Empowerment Act, enhancing powers and responsibilities for strategic authorities; establishing combined authorities; and strengthening local audit arrangements. [English Devolution Bill receives Royal Assent - GOV.UK](#)
- ❖ 7th May 2026 – First shadow elections held in East and West Surrey. [Surrey Local Elections May 2026 results – Surrey LGR Hub](#)

Key future dates to be aware of:

Three councils have been reported as mounting legal challenges to reorganisation. Subject to the outcome of their challenges, remaining key dates to be aware of are:

- ❖ **April 2027** – Surrey shadow authorities' vesting day.
- ❖ **May 2027** – Shadow elections - all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- ❖ **April 2028** – Vesting day for all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- ❖ **May 2028** – Shadow elections Sussex and Brighton Devolution Priority Programme areas.

Recommended reading:

- ❖ A good practice checklist for councils embarking on LGR can be found in our report: [Learning from the new unitary councils](#).
- ❖ Audit Committees [can request updated technical guidance](#) reflecting the latest developments from their Engagement Lead.

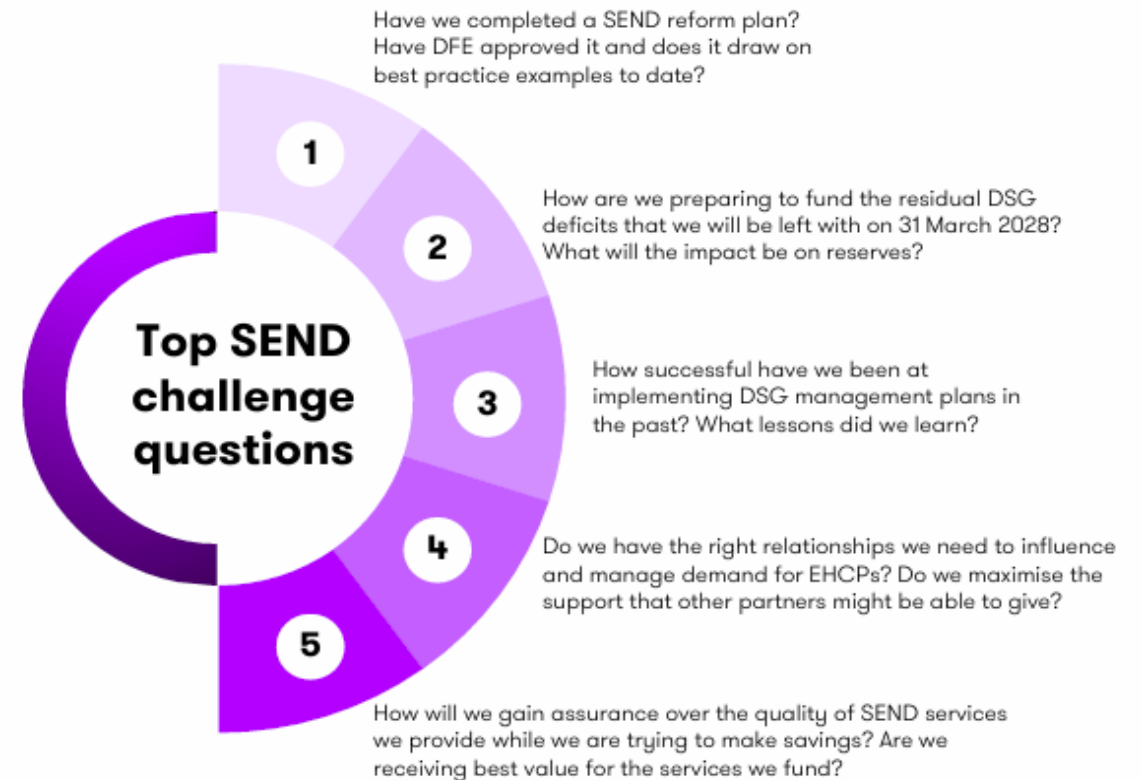


Lessons from Auditor's Annual Reports on Managing Dedicated Schools Grant Deficits

For information: Residual SEND related risks to be aware of, despite proposed reform.

Our latest report on Lessons from Auditors' Annual Reports, published on 20th May 2026, highlights lessons for [Managing Dedicated Schools Grant Deficits](#).

- ❖ New commitments by the government to fund up to 90% of Dedicated Schools Grant deficits on 31st March 2026, if Councils can agree SEND reform plans for their area with the Department for Education (due by 19th June 2026);
- ❖ The financial risks that councils will face once statutory override ends on 31st March 2028;
- ❖ Difficulties encountered so far by councils in effective planning for the management of DSG deficits;
- ❖ The benefits of working proactively with psychologists, teachers and families to make the most of current arrangements; and
- ❖ The importance of maintaining quality and efficiency in SEND service.



CIPFA Bulletin 23 – Closure of the 2025/26 financial statements

CIPFA has issued Bulletin 23 (April 2026) to support authorities in preparing the 2025/26 Statement of Accounts. The bulletin covers key areas that authorities should consider for 2025/26.

Indexation of non-investment assets

The bulletin includes a useful list of answers to frequently asked questions on indexation for preparers of accounts.

Key reminders include:

- ❖ Authorities need to adopt a five-year revaluation cycle, with indexation in intervening years, replacing more frequent revaluations.
- ❖ It applies to most property, plant and equipment, excluding council dwellings, along with leased assets if measured at valuation.
- ❖ Indexation maintains asset values in line with market changes, and authorities should continue to review asset lives and indicators of impairment.
- ❖ CIPFA do not prescribe which indices authorities may use - authorities must select appropriate indices, justify choices, and use the latest available data.
- ❖ In rare cases where no index is available a desktop valuation is required in year three.

Dedicated Schools Grant (DSG) high needs stability grant

The bulletin highlights that the grant is subject to conditions, including the requirement to obtain Department for Education approval of a local SEND reform plan.

Authorities will need to consider their specific facts and circumstances (which may vary) to determine the appropriate treatment within their own 2025/26 accounts, including:

- ❖ whether or not grant income should be recognised.
- ❖ whether disclosures are necessary (eg contingent assets, events after the reporting period).

For a full copy of Bulletin 23, see [CIPFA Bulletin 23 – Closure of the 2025/26 financial statements | CIPFA](#)

More detailed guidance on indexation is available in CIPFA's [CIPFA Bulletin 22 Indexation application guidance | CIPFA](#)

Valuing people

For information: Audit Committees need to be mindful of workforce and people-related challenges facing the sector.

The Public Services People Manager's Association held their latest Annual Conference in Birmingham in April this year and heard thoughts on whether the time is right for Chief People Officer to become a statutory role, equivalent to Monitoring and s151 Officer.

With challenges around skills retention, and with local government reorganisation creating uncertainty and instability for those employed across the sector, the timing for this debate could perhaps never be better.

Local Government Association workforce data shows that:

- ❖ More than 1 million people are directly employed by councils across England, at a cost of £35.8 billion per annum; and
- ❖ More than one million additional people are employed in council-commissioned Adult Social Care through the private sector.

In addition to those formally employed across the local government sector, the Health Foundation recently estimated that 1 in 6 adults in the UK carry out unpaid care work, providing essential top up for public services that are the statutory responsibility of local authorities.

CQC is currently consulting on proposed changes to its regulatory process. The intention is to replace 34 “Quality Statements” with 24 “Key Lines of Enquiry”, looking at how local authorities deliver care and, amongst other things, lending greater weight to how local authorities work professionally with the unpaid carers whose work supports statutory provision.

Carers UK held an inaugural State of Caring conference in May 2026 hearing, amongst other things, about the tipping point unpaid carers can reach if not given the right support. CQC’s change of emphasis seems a well-timed recognition of the reality of how significant elements of social care are provided across England today.



Latest changes to laws and regulations

For information: Recent legal and regulatory changes that Audit Committees need to be aware of.

Changes that Audit Committees need to be aware of:	Dates	Further information
English Devolution and Community Empowerments Act	29 th April 2026 – Royal Assent	Enhanced powers and responsibilities for local government, and new local audit arrangements
Renter Rights Act	1 st May 2026 – Officially took effect	Introduces new duties for local authorities to take enforcement action for beaches and tenancy law by private landlords
Social Housing Renewal Bill	13 th May 2026 – King’s Speech	Changes to eligibility requirements, discount rules and exemptions planned for Right to Buy
Overnight Visitor Levy Bill	13 th May 2026 – King’s Speech	Mayors and potentially other local leaders to be able to change new tourist taxes
Education for All Bill	13 th May 2026 – King’s Speech	Planned changes to arrangements for young people with Special Educational Needs and Disabilities
Public Office (Accounting Bill)	13 th May 2026 – King’s Speech	Introduces new duties of candour for local authorities and other public bodies
Town and Country Planning (local Planning) (England) Regulations 2026	25 th March 2026 – Statutory Instruments	New system introduced for Local Plans
Combined Authorities (overview and Scrutiny Committees, Access to Information and Audit Committees) (Amendment) Order 2026	14 th May 2026 – Statutory Instruments	Provides a formal mechanism for setting commissioner allowances in Combined Authorities and Combines County Authorities
Sporting Events Bill	14 th May 2026 – Impact Assessment and DCMS Memorandum	Proposes new enforcement powers for local authorities in ticketing protection

Audit Committee resources

Commentary from Grant Thornton on recovering the accounts preparation and audit timetable:

[Local audit reset: What comes after the backstop? | Grant Thornton](#)

Latest guidance and learning from Grant Thornton on local government reorganisation and devolution:

[Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

[Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?](#)

[Learning from the new unitary councils](#)

Grant Thornton learning on procurement and contract management:

[Local government procurement and contract management](#)

Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

[Global Internal Audit Standards in the UK Public Sector | CIPFA](#)

CIPFA Good Governance

[Delivering Good Governance in Local Government Addendum](#)

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-ias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>



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