

# Public Document Pack



**Service Director – Legal, Governance and  
Commissioning**

**Samantha Lawton**

Governance and Commissioning

PO Box 1720

Huddersfield

HD1 9EL

**Tel:** 01484 221000

Please ask for: Nicola Sylvester

Email: [nicola.sylvester@kirklees.gov.uk](mailto:nicola.sylvester@kirklees.gov.uk)

Thursday 16 April 2026

## Notice of Meeting

Dear Member

### **Corporate Governance and Audit Committee**

The **Corporate Governance and Audit Committee** will meet in the **Council Chamber - Town Hall, Huddersfield** at **10.30 am** on **Friday 24 April 2026**.

The items which will be discussed are described in the agenda and there are reports attached which give more details.

A handwritten signature in black ink, appearing to read "S Lawton".

**Samantha Lawton**

**Service Director – Legal, Governance and Commissioning**

Kirklees Council advocates openness and transparency as part of its democratic processes. Anyone wishing to record (film or audio) the public parts of the meeting should inform the Chair/Clerk of their intentions prior to the meeting.

## **The Corporate Governance and Audit Committee members are:-**

### **Member**

Councillor John Taylor (Chair)  
Councillor James Homewood  
Councillor Caroline Holt  
Councillor Harry McCarthy  
Councillor Kath Pinnock  
Councillor Angela Sewell  
Vacancy, Green Party  
Nicholas Booth (Co-Optee)  
Andrew North (Co-Optee)

When a Member of the Corporate Governance and Audit Committee cannot attend the meeting, a member of the Substitutes Panel (below) may attend in their place in accordance with the provision of Council Procedure Rule 35(7).

### **Substitutes Panel**

#### **Conservative**

D Bellamy  
D Hall  
M Thompson

#### **Green**

K Allison  
A Cooper  
S Lee-  
Richards

#### **Labour**

B Addy  
M Ahmed  
M Crook  
M Sokhal  
J Rylah  
S Ullah E Firth

#### **Liberal**

**Democrat**  
PA Davies  
J Lawson  
D Longstaff  
A Marchington  
A Munro  
A Pinnock  
A Robinson  
A Smith

#### **Community**

**Alliance**  
C Scott

#### **Kirklees**

**Community  
Independents**  
A Arshad  
JD Lawson

### **Ex Officio Members**

Councillor Bill Armer  
Councillor Nosheen Dad  
Councillor Graham Turner

# Agenda

## Reports or Explanatory Notes Attached

---

**Pages**

**1: Membership of the Committee**

To receive apologies for absence from those Members who are unable to attend the meeting and details of substitutions and for whom they are attending to the Committee membership.

---

**2: Minutes of Previous Meeting**

1 - 6

To approve the Minutes of the meeting of the Committee held on the 20<sup>th</sup> February 2026.

---

**3: Declaration of Interests**

7 - 8

Members will be asked to say if there are any items on the Agenda in which they have any disclosable pecuniary interests or any other interests, which may prevent them from participating in any discussion of the items or participating in any vote upon the items.

---

**4: Admission of the Public**

Most agenda items take place in public. This only changes where there is a need to consider exempt information, as contained at Schedule 12A of the Local Government Act 1972. You will be informed at this point which items are to be recommended for exclusion and to be resolved by the Committee.

---

**5: Deputations/Petitions**

The Committee will receive any petitions and/or deputations from members of the public. A deputation is where up to five people can attend the meeting and make a presentation on some particular issue of concern. A member of the public can also submit a petition at the meeting relating to a matter on which the body has powers and responsibilities.

In accordance with Council Procedure Rule 10, Members of the Public must submit a deputation in writing, at least three clear working days in advance of the meeting and shall subsequently be notified if the deputation shall be heard. A maximum of four deputations shall be heard at any one meeting.

---

**6: Update on the Housing Tenancy Allocation Audit** 9 - 14

To receive the Update on the Housing Tenancy Allocation Audit Report.

Contact: Lisa Ramsden, Head of Housing Management and Partnerships.

---

**7: Informing the Audit Risk Assessment for Kirklees Metropolitan Council** 15 - 36

To receive the Informing the Audit Risk Assessment.

Contact: James Anderson, Head of Accountancy.

---

**8: Audit Plan 2025-26** 37 - 82

To receive the Audit Plan 2025-26.

Contact: Grant Thornton.

---

**9: Internal Audit: Charter, Strategy and Plan for 2026-27** 83 - 108

To receive the Internal Audit: Charter, Strategy and Plan for 2026-27.

Contact: Martin Dearnley, Head of Audit and Risk.

---

Contact Officer: Nicola Sylvester

## KIRKLEES COUNCIL

### CORPORATE GOVERNANCE AND AUDIT COMMITTEE

**Friday 20th February 2026**

- Present: Councillor John Taylor (Chair)  
Councillor Bill Armer  
Councillor Eric Firth  
Councillor James Homewood  
Councillor Kath Pinnock  
Councillor Angela Sewell
- In attendance: Ruth Calladine, Head of Procurement & Commissioning Support  
Greg Charnley, External Auditor, Grant Thornton  
Martin Dearnley, Head of Risk & Internal Audit  
Samantha Lawton, Service Director, Legal & Commissioning (Monitoring Officer)  
Rachel Spencer-Henshall, Deputy Chief Executive and Executive Director for Public Health and Corporate Resources
- Ex-Officio Members: Councillor Nosheen Dad, Cabinet Member, Adult Social Care and Corporate
- Apologies: Councillor Caroline Holt  
Councillor Harry McCarthy  
Councillor Graham Turner (ex-Officio)  
Nicholas Booth (Co-Optee)  
Andrew North (Co-Optee)

#### **76 Membership of the Committee**

Apologies for absence were received on behalf of Councillor Caroline Holt, Councillor Harry McCarthy, Councillor Graham Turner (Ex-Officio), Nick Booth (Co-Optee) and Andy North (Co-Optee).

Councillor Eric Firth substituted for Councillor Harry McCarthy and Councillor Bill Armer substituted for Councillor Caroline Holt under the provision of Council Procedure Rule 35 (7).

#### **77 Minutes of Previous Meeting RESOLVED –**

That the Minutes of the meeting held on the 30<sup>th</sup> January 2026 be approved as a correct record.

#### **78 Declaration of Interests**

No interests were declared.

## **Corporate Governance and Audit Committee - 20 February 2026**

### **79 Admission of the Public**

It was noted that Agenda item 13 would be considered in private session.

### **80 Deputations/Petitions**

No deputations or petitions were received.

### **81 Public Question Time**

No questions were asked.

### **82 External Auditor Progress Update**

The Committee received a verbal progress update from the External Auditor, Grant Thornton who confirmed that the Accounts had been signed off by the Committee and that the Audit Plan and associated risks would be brought to the Committee meeting on the 24<sup>th</sup> April 2026 for consideration.

**RESOLVED** – That the verbal progress update be noted.

### **83 Proposed Revisions to Financial Procedure Rules**

The Committee received a report outlining the proposed changes to Financial Procedure Rules for the municipal year 2026/27.

The report highlighted that most of the proposed changes which were outlined in section 2 of the report were incremental, with a slightly more significant change in how projects and programmes were included in the capital plan. Moving forward, Council would determine major projects and programme areas, with Cabinet having the discretion to manage programme areas, as well as being required to approve business cases for each type of project (or generically for similar projects within a programme). It was intended that over the next year, officers from Finance and Risk would draw up proposed (more significantly) revised Financial Procedure Rules.

During discussions, the Committee queried project values and how they could be reviewed against items already in the capital plan. The Committee was informed that the proposed changes aimed to clarify the distinction between a project and a programme which had been unclear in the past. There was no financial threshold proposed for defining a major project and delegations remained in place for projects within existing programme areas, which may be approved by Cabinet or officers depending on their scope. The Committee asked for examples of current projects that would now fall under Council approval.

The Committee was further advised that a recent peer challenge had recommended a capital governance review which was being undertaken. Some of the proposed changes to the Financial Procedure Rules arose from early findings but further work was necessary to ensure systems were fit for purpose.

The Committee queried the skills required for oversight of projects and was advised that all projects within the Capital Plan were overseen by Cabinet and Executive Directors, and some of the high value projects were considered by programme boards that were attended by external consultants and project managers, with regular updates provided to Portfolio Holders.

The Committee raised concerns about whether sufficient challenge was currently embedded in governance processes and was advised that additional training could be provided for Members in terms of expertise.

**RESOLVED –**

1. That the changes as detailed in the report be approved and recommended to Council for approval.
2. Officers to report back to a future meeting of the Committee on how projects which are identified for inclusion in the Capital plan, are then considered by Council.

**84 Proposed Revisions to Contract Procedure Rules March 2026**

The Committee received a report setting out the proposed changes to Contract Procedure Rules from 1<sup>st</sup> April 2026.

Contract Procedure Rules ensured that the Council was acting in line with current legislation and other developments in public law when conducting procurement. The report highlighted the proposed changes (as outlined in section 2) which included minor updates to terminology to ensure consistency and clarification of the process to be followed if a breach of the Contract Procedure Rules was identified, revisions to Data Sharing and Processing to align with current practice, inviting suppliers from within the Kirklees (and/or West Yorkshire) area to bid for lower-value contracts and updates to reinforce the requirement that all contracts were actively managed. An illustrative example of the contract award lifecycle and associated processes was set out in Appendix C of the report and provided evidence of the oversight and assurance applied at each stage of the procurement procedure.

During discussion of the item, the Committee was informed that:

- A breach-reporting process had been added which set out the responsibility of all officers to report failures to comply with CPR.
- Rule 3 had been revised to clarify the procurement process required at different spend levels, with below-threshold procurement potentially being restricted to suppliers in Kirklees or the wider West Yorkshire region, in accordance with national legislation.
- Rule 5 had been amended so that direct award from framework agreements was no longer treated as an exemption, although a business case was still required to evidence value for money.
- Rule 6 had been updated with new exemptions to ensure compliance with the Procurement Act.
- Rule 11 had been added, which confirmed the requirement for all contracts entered to have a Contract Manager responsible for managing the contract throughout its lifecycle.
- Rule 12 has been strengthened to ensure that all contract modifications were processed through the Procurement Team for compliance purposes.

The Committee was advised that the updated CPRs complied with the Procurement Act.

**RESOLVED –**

1. That the proposed amendments to Contract Procedure Rules (CPRs) be noted and recommended for approval by Council on 11 March 2026.
2. That the information provided on the example illustrating the life cycle of a contract be noted.

**85 Constitution Updates**

The Committee received a report which highlighted the suggested amendments to the Constitution and that it be recommended to Council. It was essential that the Constitution was subject to regular review, and where necessary, amended, to ensure it followed any legal requirements placed on the Council and that it was fit for purpose.

The Committee noted that –

- Appendix A of the report summarised the Monitoring Officers amendments under delegation
- Appendix B of the report included a comprehensive rewrite of the Safeguarding Protocol
- Appendix C of the report covered amendments to Council Procedure Rules
- Appendix D of the report outlined the minor changes to the Protocol for speaking at Planning Committees
- Appendix E of the report included the Corporate Governance and Audit Committee Terms of Reference.

The Committee noted that amendments had been made in relation to the removal of its oversight of Local Government Ombudsman matters. Updated national guidance confirmed that such matters were to be reported to Cabinet and Scrutiny instead. However, a reference had been retained to allow Cabinet to refer issues back to the Corporate Governance and Audit Committee where appropriate.

During discussions, the Committee raised issues around Council motions and the growing volume of businesses related to the West Yorkshire Combined Authority (WYCA), in particular, bus franchising and rail reform, and the need for Members to be fully engaged. The Committee noted the benefits of pre-decision scrutiny for both Kirklees and WYCA matters, and the possible need to review scrutiny structures in the future, taking into account the outcome of the local elections and avoiding placing additional pressure on the Overview and Scrutiny Management Committee, who already had an extensive workload.

The Committee also highlighted the challenges in ensuring information from WYCA meetings was shared consistently.

**RESOLVED –**

1. That the Monitoring Officer delegations in Appendix A be noted.
2. That the suggested amendments to the following areas set out at paragraph 2 of the report, be recommended to Council:-
  - Councillor Safeguarding protocol
  - Council procedure rules
  - Protocol for Public Speaking at Planning Committee
  - Responsibility for Non-Executive functions - CGA – Terms of Reference
  - Responsibility for Non-Executive functions - Appeals Panel – Terms of Reference
3. That the work of the cross-party Constitution Working Group be noted.
4. That it be noted that the Constitution has been subject to a review and no amendments other than those set out below are required at this time.

## Corporate Governance and Audit Committee - 20 February 2026

5. That the amendments to the Constitution be noted and recommended to Council for approval.

### 86 **Internal Audit Quarterly Report 3 2025-26 (October 2025 to December 2025)**

The Committee received the Internal Audit Quarterly Report 3 2025-26, October 2025 to December 2025. The Council must have an Internal Audit Function.

The report provided information regarding the Regulation of Investigatory Powers Act and the progress on the implementation of recommendation. Approximately half of the annual audit plan had been completed by the end of Quarter 3 due to slightly improved staffing levels, and it was forecast that around 75% of the plan would be delivered by year-end. 77% of completed audits (excluding schools) had received positive assurance, which was broadly consistent with, or slightly better than previous years. The report also included updates on recent work undertaken by the fraud team.

During discussions, the Committee questioned the high proportion of audits unallocated or not started at the end of December, and whether the reduced capacity had resulted in the audit plan focusing on lower-risk areas. The Committee was advised that of the 75% audits forecast for completion, these were a good balance to ensure sufficient coverage for the annual opinion. However, there was a need to maintain oversight of key financial systems which would be reflected in next year's audit plan.

Further discussions took place regarding assurance obtained through other mechanisms outside of internal audit processes and the Committee queried the reasons for the audit of Greenwood Park Café.

In relation to blue badge fraud, the Committee was advised that fraud levels represented a small proportion of total badges, but that misuse, particularly involving badges of deceased individuals or stolen permits, was an ongoing issue.

**RESOLVED** – That the Internal Audit Quarterly Report 3 2025-26, October 2025 to December 2025 be noted.

### 87 **Exclusion of the Public**

**RESOLVED-** That acting under Section 100(A) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act, as specifically stated in the undermentioned minute.

### 88 **Internal Audit Quarterly Report 3 2025-26 (October 2025 to December 2025)**

**RESOLVED** – That the Committee noted the exempt information, which was an appendix to Minute number 86.

### 89 **Agenda Plan**

**RESOLVED** – That the Agenda Plan for 2025/26 be noted.

This page is intentionally left blank

<b>KIRKLEES COUNCIL</b>				
<b>COUNCIL/CABINET/COMMITTEE MEETINGS ETC</b>				
<b>DECLARATION OF INTERESTS</b>				
Corporate Governance and Audit Committee				
Name of Councillor				
Item in which you have an interest	Type of interest (eg a disclosable pecuniary interest or an "Other Interest")	Does the nature of the interest require you to withdraw from the meeting while the item in which you have an interest is under consideration? [Y/N]	Brief description of your interest	

Signed: ..... Dated: .....

## NOTES

### Disclosable Pecuniary Interests

If you have any of the following pecuniary interests, they are your disclosable pecuniary interests under the new national rules. Any reference to spouse or civil partner includes any person with whom you are living as husband or wife, or as if they were your civil partner.

Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner, undertakes.

Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses.

Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority -

- under which goods or services are to be provided or works are to be executed; and
- which has not been fully discharged.

Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

Any tenancy where (to your knowledge) - the landlord is your council or authority; and the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

- (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and  
(b) either -

the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or  
if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

**REPORT TITLE: UPDATE ON THE HOUSING TENANCY ALLOCATION AUDIT**

<b>Meeting</b>	Corporate Governance & Audit Committee
<b>Date</b>	24 <sup>th</sup> April 2026
<b>Cabinet Member</b>	Cllr Moses Crook Deputy Leader and Transport and Housing
<b>Key Decision Eligible for Call In</b>	No No – Information Update Only
<b>Purpose of Report</b>	
This report has been prepared as requested by the Corporate Governance and Audit Committee on 25th April 2025 for a further update in 2026.	
<b>Recommendations</b>	
The Corporate Governance and Audit Committee is asked to note the contents of the report and the progress made against the recommendations made from the Tenancy Allocation internal audit, undertaken in July 2024 (Ref: KC/08251). All outstanding recommendations have now been completed.	
<b>Reasons for Recommendations</b>	
No recommendations are made as the report is for update purposes only.	
<b>Resource Implications</b>	
N/A.	
<b>Date signed off by <u>Executive Director</u> &amp; name</b>	1 April 2026 - David Shepherd
<b>Is it also signed off by the Service Director for Finance?</b>	13 April 2026 - Kevin Mulvaney
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	14 April 2026 - Samantha Lawton

**Electoral wards affected:** All

**Ward councillors consulted:** No

**Public or private:** Public

**Has GDPR been considered?** Yes

## 1. Executive Summary

- 1.1 Demand for council housing continues to exceed the availability of properties. At the end of Q3, just over 21,500 applications were logged on the housing register. Applications are reviewed annually to establish if the applicant wishes to remain on the housing register. If an applicant's circumstances change, a further review of their application is undertaken to ensure the banding award is correct.
  - 1.2 This level of scrutiny to keep the housing register up to date, places pressure on housing resources but is necessary to ensure tenancies are allocated in accordance with Kirklees Councils, Allocations Policy.
  - 1.3 Expanding the original scope of the internal audit as outlined in Paragraphs 1.6 and 1.7 supported this level of scrutiny. Although the audit identified risks, it enabled the implementation of controls and measures to ensure that existing tenancies are also allocated in accordance with the Allocations Policy.
  - 1.4 The audit of Tenancy Allocations was undertaken as part of the Homes and Neighbourhoods (H&N) 2024/25 Audit Plan undertaken in July 2024 (Ref: KC/0825). The focus of the audit included:
    - Compliance with the Allocations Policy in respect of successions, introductory tenancies, choice-based lettings, transfers, mutual exchanges and discretionary lets (e.g. management, hard to let, decants)
    - The efficiency and effectiveness of service performance and key controls,
    - The reasons for any discretionary changes in banding if found during testing, and
    - that a documented audit trail is in place for all lettings and investigate any disparities where this is not the case.
- The scope of the audit included:
- Review of service arrangements in place,
  - Review systems and processes currently in place and are consistent, transparent, fair and timely,
  - Ensure Council houses are allocated in line with the Council's Allocation Policy,
  - Ensure a clear audit trail for all lettings,
  - Assess overall internal control environment for any associated risks financial/non-financial,
  - Review fraud risks and mitigations.
- 1.5 All audit work was undertaken through discussions with key officers, the review of procedures, training documentation, data reporting and relevant internal and external data.
  - 1.6 The additional areas of tenancy allocation incorporated successions, introductory tenancies, choice-based lettings, transfers, mutual exchanges and discretionary lets (e.g. management, hard to let, decants).

- 1.7 This was requested by Homes and Neighbourhoods senior management due to concerns relating to a lack of both management oversight and scrutiny of processes. It was shared by the service that these areas were open to control risks and were critical to this review.
- 1.8 The audit report made findings in four areas where a "Limited Assurance" opinion was given (Succession, introductory tenancies, Mutual exchange, Management Lets) 'Substantial Assurance' opinion was given for Choice Based Lettings, giving an overall limited assurance opinion. Tenancy transfer was not subject to audit as a part of this assessment as it was incorporated into the 2025/26 audit plan independently.
- 1.9 The overall audit opinion was of 'Limited Assurance' and twenty-six recommendations made. It was agreed that most recommendations made in the audit findings would be completed by October 2024, a small number by December 2024, and several that would be addressed when the new Housing IT computer system CX was implemented. The outstanding recommendations are outlined in the table below:

Status	26 Recommendations Made
Completed Actions	22
Outstanding/Partially Completed Actions	4 (Rec 4, 5.1, 5.2 & 12) All relate to the implementation of CX

1.10 As the audit opinion was of 'Limited Assurance' a report was tabled at the Corporate Governance and Audit Committee (CGAC) on the 25<sup>th</sup> of April 2025. An update was provided of progress made against the audit recommendations. The report advised that because of the delays in implementing the new CX Housing system some recommendations could not be fully implemented, and manual processes had been implemented to mitigate risks. The CGAC requested an update on the outstanding actions the following year.

**2. Current Position & Overall Progress**

2.1 The outstanding recommendations presented to CGAC in April 2025 are now complete. The updates below highlight the action taken against each of those recommendations.

2.2 **Recommendation 4** - Housing Management should keep a log of declined management let requests (often linked to succession/U&O cases) and review this weekly to ensure follow-up where further evidence or action is required (subject to evidence required) which should be reviewed by HOs on a weekly basis for properties within their patch and serve as a reminder to ensure a timely account review and administration.

**Response:** This process is now mapped within the CX Housing Management System. To provide additional assurance all succession and use and occupations cases can also be manually tracked via a Microsoft t-card system. **Action Completed.**

2.3 **Recommendation 5.1** - Housing Management Officers should encourage occupants to bid more frequently (reiterate maximum bids per week entitlement) and consider private rental accommodation or housing associations to ensure bidding actively in line with the Allocations Policy.

**Response:** This process is now mapped within the CX Housing Management System and alerts are sent to the housing management officer and housing manager to prompt a review of the case. To provide additional assurance all succession and use and occupations cases can also be manually tracked via a Microsoft t-card system, and a monthly case review meeting is chaired by a strategic housing manager. **Action Completed.**

- 2.4 **Recommendation 5.2** - A regular review of choose n move activity through a report monitoring all temporary use and occupation accounts and durations would provide more effective oversight and make the service more efficient in taking timely action on accounts with inactive bidders.

**Response:** This process is now mapped within the CX Housing Management System and alerts are sent to the housing management officer and housing manager to prompt a review of the case. To provide additional assurance all succession and use and occupations cases can also be manually tracked via a Microsoft t-card system, and a monthly case review meeting is chaired by a strategic housing manager. **Action Completed.**

- 2.5 **Recommendation 12** - Names of Housing Management Officers (printed and signed on key forms/checklist and approval documentation e.g. Tenancy Agreements/decisions forms) should match on all agreements and forms requiring authorisation and date input accuracy as a key control.

**Response:** Adding individual housing management officer names on CX produced documents means that the document templates within the system would need to be changed each time an officer either left the service or changed patch area. As there are a number of letters and documents linked to the management of a tenancy, it is not feasible to update the number of documents frequently and this will impact on providing correct information to our tenants.

The service has however, reviewed documents produced from other IT systems including Granicus. It has identified documents where it is possible to include housing officer's details in a 'live' environment as the officer is completing a web-based page. One of the most important documents (the Tenancy Agreement) can be amended to reflect the details of the housing officer who signs the new tenant up for a tenancy.

As CX moves into Phase 2 of the project, any previous audit recommendations that have not been possible in Phase 1 will be considered in the Phase 2 scoping exercise. **Action Completed.**

- 2.6 In May 2025 a further audit was commissioned to review progress against the recommendations made in July 2024.
- 2.7 The audit was welcomed by the service as it identified actions that needed further work to fully embed process changes. The amount of work undertaken by the service to improve issues identified was recognised in the audit feedback. The audit rating also improved from '**Limited Assurance**' to '**Adequate Assurance**'.
- 2.8 A further audit will take place during 2026/27. This audit will test processes built into the CX Housing IT system that now steer core housing management functions.
- 2.9 Homes and Neighbourhoods has been on a significant journey of change and continual improvement during the last 18 months.
- 2.10 The service acknowledges that it wants to be in a position where future audit ratings are at a '**Substantial Assurance**' level. This will ensure our compliance with the Regulatory Consumer Standards are met and that we deliver the best possible services to our tenants.

### **3. Information required to take a decision**

#### **3.1 Implications for the Council**

#### **3.2 Council Plan**

Completion of the actions against the recommendations made supports the Council Plan and will ensure that we operate efficiently and effectively, and get the basics right with robust systems, processes, and governance.

#### **3.3 Financial Implications**

Kirklees Council must ensure that it is making the best use of its housing stock. If properties are not allocated in line with the Allocations Policy, there is a risk that those in the most need may need temporary accommodation at a significant cost to the Council.

#### **3.4 Legal Implications**

We are under a legal duty to only allocate housing to 'eligible persons' as set out in chapter three of the Governments 'Allocation of Accommodation – Guidance for Local Authorities.

#### **3.5 Climate Change and Air Quality**

Efficient housing management supports wider programmes to improve the quality, safety, and energy efficiency of council housing. In turn this helps reduce household energy consumption, carbon emissions, and exposure to poor air quality.

#### **3.6 Risk, Integrated Impact Assessment (IIA) or Human Resources**

N/A.

### **4. Consultation**

4.1 N/A.

### **5. Engagement**

5.1 N/A.

### **6. Options**

6.1 This report is to provide an update on the Tenancy Allocations Audit (KC/0825) actions against the recommendations made.

#### **6.2 Reasons for recommended option**

No options recommended.

### **7 Next steps and timelines**

7.1 A further internal audit will be undertaken in 2026/27 to complete an assessment of all recommendations that relate to the implementation of the CX IT system.

### **8. Contact officer**

Lisa Ramsden, Head of Housing Management and Partnerships.  
Tel: 07734435026 or Email: [lisa.ramsden@kirklees.gov.uk](mailto:lisa.ramsden@kirklees.gov.uk)

### **9. Background Papers and History of Decisions**

9.1 Internal Audit Review:



Internal Audit  
Report\_Tenancy Allo



ActionPlanTenancy  
Allocation KC0825 (C

9.2 [Tenancy Allocations.pdf](#) report presented to Corporate Governance Audit Committee on 25 April 2025.

9.3 [Housing Allocations Policy](#).

**10. Appendices**

10.1 None.

**11. Service Director responsible**

Philip Jones for Homes & Neighbourhoods

Tel: 01484 221000 ext. 75312 - Email: [philip.jones@kirklees.gov.uk](mailto:philip.jones@kirklees.gov.uk)



**Report title:** Informing the Audit Risk Assessment for Kirklees Metropolitan Council

<b>Meeting:</b>	<b>Corporate Governance and Audit Committee</b>
<b>Date:</b>	<b>24 April 2026</b>
<b>Cabinet Member (if applicable)</b>	<b>N/A</b>
<b>Key Decision Eligible for Call In</b>	<b>N/A</b>
<b>Purpose of Report</b> The report updates Members on the final accounts and audit processes for 2025/26.	
<b>Recommendations</b> For Corporate Governance and Audit Committee to approve the risk assessment document, and for it to be formally submitted to Grant Thornton.	
<b>Reasons for Recommendations</b> To provide the requested information to the external auditors (Grant Thornton).	
<b>Resource Implications:</b> N/A	
<b>Date signed off by <u>Executive Director</u> &amp; name</b>	<b>N/A</b>
<b>Is it also signed off by the Service Director for Finance?</b>	<b>Kevin Mulvaney – 15/04/2026</b>
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>Sam Lawton – 15/04/2026</b>

**Electoral wards affected:** N/A

**Ward Councillors consulted:** N/A

**Public or private:** Public

Have you considered GDPR: Yes – there is no personal data within the budget details and calculations set out in this report and accompanying Appendices

## **1. Executive Summary**

- 1.1 The Council's external auditor Grant Thornton (GT) has asked that council officers complete the attached 'Inquiries of management and those charged with Governance' (Appendix A), which consists mainly of a schedule of questions (from GT) and management responses (from KMC officers).
- 1.2 These relate to the following topics:  
  
General Enquiries of Management  
Fraud  
Laws and Regulations  
Related Parties  
Going Concern  
Accounting Estimates
- 1.3 External Audit will use these assurance letters to support their overall opinion on the Audited Statement of Accounts and Annual Governance Statement which will be presented to this Committee for approval on 30 November 2026.
- 1.4 The auditors want this committee to affirm that they believe these assertions to be true (or have no reason to believe that they are untrue).  
The documents are attached.
- 1.5 The structure of this report begins with an executive summary, followed by a range of Appendices. The reader will need to review these collectively in order to be informed of the overall consequences and implications.

## **2 Information required to take a decision**

- 2.1 The Committee are invited to read the statements and assertions
- 2.2 If there are questions arising they can ask officers for an explanation.

## **3 Implications for the Council**

- 3.1 **Council Plan**  
N/A
- 3.2 **Financial Implications**  
N/A
- 3.3 **Legal Implications**  
N/A
- 3.4 **Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**  
N/A

## **4 Consultation**

The responses were completed by the Service Director Finance, Service Director Legal, Governance & Commissioning, Head of Accountancy, Head of Legal and Head of Risk & Internal Audit.

**5. Engagement**

N/A

**6. Options**

**6.1 Options considered**

N/A

**6.2 Reasons for recommended option**

N/A

**7. Next steps and timelines**

The auditors will consider the responses and use this in providing their opinion on the Audited Statement of Accounts and Annual Governance Statement which will be presented to this Committee for approval by 30 November 2026.

**8. Contact officer**

James Anderson Head of Accountancy

**9. Background Papers and History of Decisions**

None

**10. Appendices**

**Appendix A:** Informing the audit risk assessment for Kirklees Council 2025/26

**11. Service Directors responsible**

Kevin Mulvaney

01484 221000

Sam Lawton

This page is intentionally left blank

## Kirklees Council

Year ended: 31/03/2026

### Inquiries of management and those charged with Governance

#### Purpose

The purpose of this report is to contribute towards the effective two-way communication between Kirklees Council's external auditors and Kirklees's Council's Corporate Governance and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where the external auditors are required to make inquiries of the Corporate Governance and Audit Committee under auditing standards.

#### Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Corporate Governance and Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Corporate Governance and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Corporate Governance and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Corporate Governance and Audit Committee and supports the Corporate Governance and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

#### Communication

As part of the external auditor's risk assessment procedures the external auditors are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response external auditors are to receive from Kirklees Council's management. The Corporate Governance and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make. This report also includes a follow up of prior year recommendations.

<b>General inquiries</b>	
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2025-26?	Demand led pressures within Children and Adult Services, Home to School Transport, Temporary accommodation and the High Needs block. Increased cost of borrowing, although mitigated by capital plan slippage and the delivery of budgeted savings.
2. Have you considered the appropriateness of the accounting policies adopted by Kirklees Council?  Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	Accounting Policies are reviewed annually for continuing appropriateness. Updates are made as necessary to bring into line with Code requirements
3. Is there any use of financial instruments, including derivatives? If so, please explain	No complex financial instruments are used. See Stat Accounts disclosures
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	See Contingent Liabilities working paper
7. Are you aware of the existence of loss contingencies and/or unasserted claims that may affect the financial statements? If so, please provide further details	See Contingent Liabilities working paper
8. Other than in-house solicitors, can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Solicitors instructed are primarily selected from the WYLA and other suitable framework panels of solicitors or through other PCR compliant procurement methods and a panel of insurance specialist lawyers chosen by or in agreement with our insurers. A small number of Council services instruct external solicitors directly in relation to debt recovery matters. See working papers for details as to those external solicitors used.  There are ongoing matters that relate the previous financial years. See year-end working papers.
9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected	No

misstatements which would affect the financial statements? If so, please provide further details	
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Treasury Management (Arlingclose) and Tax advice (PWC for VAT). Ad hoc advice re KSDL and the PPP (Public Private Partnership) exit for Almondbury (PWC).
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, detailed year end working papers will show any provisions
<b>Fraud inquiries</b>	
12. Has the Council assessed the risk of material misstatement in the financial statements due to fraud?  How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?  How do the Council's risk management processes link to financial reporting?	There are limited areas where accounting judgements and estimates are used. These areas are identified and reviewed in conjunction with the external auditor, to mitigate the risk.  The council has a routine internal audit plan designed to provide assurance a part of which is assessment of fraud risk. Fraud risk assessments exist for most activities. IA and its fraud team investigate customer fraud, internal and supplier fraud. Details reported through CGAC  Risk management processes identify and look to mitigate risk. Corporate risk matrices are created by senior managers, approved by Cabinet and council and linked into the budget making process at Budget Council. In year activity risk monitoring is undertaken by executive leadership team, Cabinet (Executive Board) and Scrutiny, alongside discussion of performance and budget monitoring.  Risk forms part of the annual budget process and the resulting annual Council budget report.
13. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Treasury management –borrowing; (high risk high control)  Customer fraud- means tested activity  Cash fraud  Mandate fraud (payment fraud subset)  Housing Tenancy fraud- RtB, unauthorised occupancy  Supplier fraud/(Collusion with officers)
14. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within the Council as a whole, or within specific departments since 1 April 2025? If so, please provide details	None of a material basis (minor issues re petty cash and payroll). Issues would be investigated by IA and reported to CGAC if seen as “routine”. A very significant fraud would be reported through senior management, Cabinet and Council on an urgent as appropriate basis.  One community school was the subject to a significant loss (£70k).
15. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	Issues would be investigated by IA and reported to CGAC if seen as “routine”. A very significant fraud would be reported through senior management, Cabinet and Council on an urgent as appropriate basis

	Fraud risk panel recently established to ascertain and address fraud risk
<p>16. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within the Council where fraud is more likely to occur?</p>	See above
<p>17. What processes do the Council have in place to identify and respond to risks of fraud?</p>	<p>The council has a routine internal audit plan designed to provide assurance a part of which is assessment of fraud risk. IA investigate internal and supplier fraud. There is a fraud team that investigates customer fraud. There is training available for all staff on fraud prevention.</p> <p>There are also Whistleblowing arrangements. All Whistleblowing is subject to assessment and as appropriate investigation</p>
<p>18. How do you assess the overall control environment for the Council, including:</p> <ul style="list-style-type: none"> <li>• the existence of internal controls, including segregation of duties; and</li> <li>• the process for reviewing the effectiveness of the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>The Council has an internal audit function that reports to the Corporate Governance &amp; Audit Committee (CGAC), &amp; to management, which operates in compliance with Global Internal audit Standards (GIAS) and Public Sector Internal Audit Standards (PSIAS). There is an agreed, risk based audit plan, which is reported on quarterly and is subject on an annual opinion. Although there are anticipated to be some qualifications, the 2025/26 IA opinion is that (financial) internal control arrangements are sound. The annual governance statement &amp; quarterly review of the action plan are reported through CGAC.</p> <p>The council has a routine internal audit plan designed to provide assurance a part of which is assessment of fraud risk. IA and its fraud specialists investigate suspected fraud and suspicions.</p> <p>This risk of override of controls is deemed minimal. Senior Management are not incentivised based on financial performance. Also, senior management (the Executive Leadership Team) do not have direct access to input (journal) on to the financial ledger.</p>
<p>19. Are there any areas where there is potential for misreporting? If so, please provide details</p>	See answer above (Q2), but the risk of material misstatements is deemed small
<p>20. How does the Council communicate and encourage ethical behaviours and business processes of its staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>The Council's employee handbook sets out expectation on staff conduct and ethical behaviour (issued to all new staff on the council intranet). Employees are required to declare any real or potential conflicts of interest</p> <p>There are Whistleblowing arrangements that are (reasonably well) publicised and used.</p>

	<p>There are procedures intended to detect inappropriate actions, such as money laundering and terrorism (as required by legislation).</p> <p>Contractual documents, tenders etc, recognise the importance of fraud mitigation and control, and procurement staff have specific training regarding this matter.</p> <p>Whistleblowing Procedures. (Records are available for inspection).</p> <p>Customer complaints processes.</p> <p>Whistleblowing, subject to triage, assessment, investigation and reporting back.</p> <p>Annual reporting of Whistleblowing to CGAC.</p> <p>Nothing of material significance reported in year- other than as noted elsewhere</p>
<p>21. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Treasury management employees –borrowing; (high risk high control)</p> <p>Any roles handling cash</p> <p>Procurement roles/ contractor supervision</p> <p>Roles involving allocation or management of property (tenancies),</p> <p>Roles involving in management of right to buy (and other property disposals)</p> <p>Roles involving the awarding of means tested benefits, grants or assistances (individuals or corporate)</p> <p>Property sales, especially by negotiation, and Planning (corruption)</p> <p>Identification is by management/internal audit judgement, based also on the realistic level of internal control and the balance of cost to value of risk exposed. This impacts on the levels of internal controls put in place (by whom, seniority etc), other appropriate IT or process controls, oversight by management, and by internal audit checking, and by other mitigants, such as insurance.</p>
<p>22. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Related parties are recognised and assessments made. The nature of the related parties should not create any unusual risk of fraud as related party transactions are generally performed in accordance with normal council procedures.</p>
<p>23. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p>	<p>Reported as a matter of routine to CGAC (and in other government return). See earlier responses.</p> <p>The Council's Fraud Strategy requires regular report to a member of Cabinet (circa 2x per year), and information on fraud management is brought to the CGAC. As noted above, CGAC are advised about all outcome from internal audit assurance work, and where this identifies breaches in internal control, or poor internal controls that can give rise to a risk of fraud, this outcome is highlighted. CGAC invite</p>

What has been the outcome of these arrangements so far this year?	management to explain the position/proposed actions where they believe that this is appropriate, in addition to routine follow up of work by IA.
24. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	The Council receives c10 Whistleblowing complaints each year (which includes those that are anonymous, or would, if raised by an employee, be of the nature of whistleblowing). All of these are reviewed and at least some investigation is carried out. These relate to many aspects of council operations, not just fraud. All are scheduled and reported annually to the CGAC, including the outcomes.
25. Have any reports been made under the Bribery Act? If so, please provide details	No
<b>Laws and regulations</b>	
1. How does management gain assurance that all relevant laws and regulations have been complied with?  What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?  Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	The Monitoring Officer (Director of Legal, Governance and Commissioning), the Deputy Monitoring Officers and the Head of Legal services have procedures in place to monitor statutory compliance on all obligations, proposals and initiatives. There are a range of procedures and mechanisms - for example all Cabinet reports are signed off by the Monitoring officer via Legal Services (and the s151 officer), the MO and s151 officer attend ELT and there are other assurance boards attended by the MO or Legal Services officers – eg Information Governance Board  The Monitoring Officer and colleagues in Legal Services and Insurance provide updates on ongoing and potential litigation and claims, see the year-end working papers.  No.
2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	By reporting from the above to the Council, Cabinet and Executive Team.
3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2025 with an on-going impact on the 2025/26 financial statements? If so, please provide details	Yes, relating to minor matters relating to failure to comply with FPRs; laws and regulations; these have been reported to Council/Cabinet/Executive Leadership Team/CGAC as appropriate. We are not aware that any of these will have any material ongoing impact on the financial statements for 2025/26  The Housing Regulator has raised some concerns about compliance.
4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details	No items that would materially affect the 25/26 accounts.
5. What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Monitoring Officer and colleagues in Legal Services and Insurance provide updates on ongoing and potential litigation and claims (including raising awareness with senior management). See year-end working paper for updates.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	There are still ongoing issues with the Housing Regulator regarding matters related to fire safety, mould and damp. The ongoing Regulatory Notice will be reviewed over coming months as part of a planned inspection taking place between April and July 2026.

<b>Related parties</b>	
<p>1. Have there been any changes in the related parties including those disclosed in the Council's 2025/26 financial statements?</p> <p>If so, please summarise:</p> <ul style="list-style-type: none"> <li>• the nature of the relationship between these related parties and the Council</li> <li>• whether the Council has entered into or plans to enter into any transactions with these related parties</li> <li>• the type and purpose of these transactions</li> </ul>	<p>See 2024/25 financial Statements. Work to re-confirm related parties and transactions to support disclosures in the 2025/26 Financial Statements is in progress.</p>
<p>2. What controls does the Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Forms to disclose Directorships.</p> <p>Letters to all councillors (or emails as appropriate) to remind them annually to update interests.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>As there are limited real associated parties- these controls arise through the normal course of business and by normal decision making- eg through Cabinet – in all other cases.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>The Council does not undertake transactions outside of the normal course of business</p>
<b>Going concern</b>	
<p>1. What processes and controls do management have in place to identify events and / or conditions which may indicate that the statutory services being provided by the Council will no longer continue?</p>	<p>The Council has set a balanced budget for 2026/27. Overall reserves levels are considered adequate at this stage. Savings target will need to be achieved and progress against this will be monitored.</p> <p>Monthly financial monitoring will be produced, alongside KPI monitoring and specific monitoring on a rag rating basis for the delivery of savings.</p>
<p>2. Are management aware of any factors which may mean the Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?</p>	<p>No.</p>
<p>3. With regard to the statutory services currently provided by the Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for the Council to cease to exist?</p>	<p>Yes, the Council expects to continue delivery of all statutory services</p>
<p>4. Are management satisfied that the financial reporting framework permits the Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial</p>	<p>Yes, management are satisfied that the Council continues to be a going concern. Please see detailed disclosures in the S151 Positive Assurance statement in the recent Council Budget report for 2026/27.</p>

statements on a going concern basis will provide a faithful representation of the items in the financial statements?	
5. Are you aware of any Climate related matters, legislation or regulation that may impact the council?	None identified at this stage.
<b>Accounting estimates</b>	
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Valuation, depreciation and impairment of non-current assets (including PFI). Valuation of defined benefit net pension liability.
2. How does the Council's risk management process identify and address risks relating to accounting estimates?	Annual risk assessment, identifying and addressing risks as part of closedown processes
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Use of guidance materials: CIPFA Code of Practice, RICS.
4. How does management review the outcomes of previous accounting estimates?	Assessed as part of annual closedown procedures. Historic valuations assessed against subsequent sales proceeds as part of year-end assurance/valuation process
5. Were any changes made to the estimation processes in 2025/26 and, if so, what was the reason for these?	No.
6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Technical experts utilised where appropriate eg use of in-house (or external if required) experts for land/property valuations.
7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	In discussion internally within the finance function and externally with regional technical accountants groups and audit.
8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	Management review the output and the underlying assumptions underpinning them, challenging any discrepancies.
9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: <ul style="list-style-type: none"> <li>• Management's process for making significant accounting estimates</li> </ul>	Accounting estimates are discussed at Corporate Governance & Audit Committee, as part of the approval of financial statements. External audit reports also provide a focus on the key areas (asset valuations and pensions liability).

<ul style="list-style-type: none"> <li>The methods and models used</li> </ul> <p>The resultant accounting estimates are included in the financial statements.</p>	
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No new items for 2025/26 Financial Statements. Ongoing issues re non-current asset valuations.
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	Accounting estimates are kept under review throughout the year by the central accountancy team and, formally reviewed each year by the Head of Accountancy and Service Director- Finance in preparation of the financial statements.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate?	Covered as part of the external audit work and reporting.

**Update on recommendations**

Issue and Risk	Recommendation	Updated Management response
<p><b>1. Costing of internal repairs &amp; maintenance, and capital works:</b></p> <p>Our work identified that for housing stock repairs, an inflation factor was being applied to cover the period from 2007-08 to the 2024-25 year. The year 2007-08 was the year that these internal costings for each job type were last reviewed. This job costing from 2007-08 is being inflated by this inflation factor to calculate the job costings utilised in the current year. This was 1.27 for this financial year and affected internal capital works that were capitalised by the Council. Such internal works include costs and materials that form part of the Council's payroll bill and other services expenditure.</p> <p>An example of one of the accounting entries which uses this inflation factor is the recording of capital works on the HRA – this removes expenditure from the CIES and capitalises that spend on the Council's balance sheet. Since these are real transfers from revenue to capital it is our view that the transfers should be estimated with a reasonable degree of precision. In our view, such a significant inflation factor (27%) for an extended period of time (&gt; 15 years) does not clearly demonstrate how the charge being made to revenue or capital expenditure is reflective of the cost of the works carried out.</p>	<p>We recommend that the Council update its costings for recharges to capital so that such general inflation factors are no longer applied in future financial years.</p>	<p>No further update since the report to CGAC on 31 January.</p>

<p><b>2. Understandability of working papers to support the Council’s bad debt provision held on the balance sheet against its short-term debtor balances</b></p> <p>Our work highlighted that the Council has accounted for an impairment allowance on short-term debtor balances as per the requirements of the Code. We understand that these provisions are calculated by finance officers in each of the services, grouping debtor balances of similar nature and credit risk. The Council’s Code-complaint approach has resulted in over 30 working papers being produced in relation to the provision for bad debts. Whilst each of the specific provisions is shown on the trial balance (TB) as a credit against short-term debtors, we encountered some difficulties in identifying the relevant working papers for the balances on the TB and there were a number of trivial differences where the supporting working papers did not agree through to balances on the TB.</p>	<p>We recommend the Council considers how the working papers for the bad debt provision could be summarised or indexed so it is clear in 2025-26 which working papers are relevant to each of the lines for the bad debt provision on the TB. We also recommend that the service accountants check the supporting working papers agree through to TB balances as a final step in the accounts closedown process.</p>	<p>No further update since the report to CGAC on 31 January.</p>
<p><b>3. The Council’s proposed approach to ensure full compliance with Statutory Guidance Capital finance: guidance on minimum revenue provision (5th edition)</b></p> <p>(Effective for accounting periods starting on or after 1 April 2025)</p> <p>The 2019 statutory guidance (4th edition) required an MRP charge to be made on capital loans over the useful life of the third-party assets, which have been funded using the loan. Our review indicated that such charges have not been made. This guidance has now been superseded by the 5th edition with the effective date as shown above.</p> <p>New statutory guidance which takes full effect from April 2025, introduces new provisions for charging MRP on capital loans. This guidance states that where an impairment of the loan is recognised in any financial year, a local authority must charge MRP which is at least equal to the impairment recognised. There is no requirement to make a day one MRP charge to match the historic cumulative impairment recognised, however, the revised statutory guidance states that LAs must be satisfied that the charging of minimum revenue provision is sufficiently prudent.</p> <p>The 5th edition guidance makes a distinction between commercial and non-commercial loans with commercial loans described as those entered into primarily for financial return. Local authorities must make MRP with respect to any debt used to finance a commercial capital loan. For non-commercial loans, local authorities can elect whether to charge</p>	<p>Recognising the new statutory guidance came into Force from 1 April 2025 and that some commentary on its impact was included in the 2025-26 budget paper, it is our recommendation Management to confirm and report its proposed approach to charging MRP on capital loans in 2025-26 and beyond.</p>	<p>No further update since the report to CGAC on 31 January.</p>

<p>MRP, however, for non-commercial capital loans that have recognised losses, the option to not charge MRP is not available.</p> <p>The revised guidance will enable LAs to reduce the MRP charge by deducting any amount of the capital receipts which are received in respect of a loan during the financial year, when they are applied to repay the same loan. For example, for the Kirklees College soft loan, the Council may choose to treat the £0.9m of repayments from the counterparty in year being as sufficient to cover the financing of the loan and abstain from charging MRP.</p> <p>The Council has £20m of capital loans against which a £4m impairment provision has been accounted for in unusable reserves. To date, no MRP has been charged against these loans. As such, as and when any impairment losses are recognised this will give rise to an unplanned impact on general fund reserves balances. Whilst the Council has referred to the impact of the 5th edition guidance and the requirements to provide of MRP on capital loans in its approved budget for 2025-26, it is our view that the Council should communicate whether its lending falls within the commercial or non-commercial loans regime and how it has reached this judgement. It should also be set out how the Council intends to ensure full compliance with the new requirements on charging MRP, particularly in respect of those capital loans with existing credit losses recognised.</p>		
<p><b>4. Integrity, accuracy and understandability of working papers to support the Council’s cash flow statement</b></p> <p>As noted on page 5, the Council has an internally-developed model to prepare this statement, which we understand has been the Council’s long-standing adopted approach to the preparation of this statement. During the last two cycles of external audit, we have flagged concerns that the sections of the statement include non-cash-based transactions, which contrary to the principles of the cash flow statement. In addition, we have expended a great deal of time completing this work, well in excess of expectations. Across our LG client portfolio, the audit of the cashflow statement is traditionally a straightforward area of an audit taking a minimal amount of time.</p> <p>The Council adopts the indirect method of preparation, whereby net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or</p>	<p>Whilst the Council adopts a Code-compliant approach to the presentation of its cash flow statement and has long-established suite of working papers to support with preparation of the statement and supporting notes, there is scope to simplify and improve the clarity of this working paper in 2025-26 to aid with its overall understandability. This should also support with a more efficient audit process next year and reduce the audit the volume of auditor queries asked of officers during fieldwork.</p>	<p>No further update since the report to CGAC on 31 January.</p>

<p>expense associated with investing or financing cash flows. This is a fully permitted approach under the Code.</p> <p>There are several aspects to draw out from the working papers presented to us that we think can be enhanced/reviewed in 2025-26 to support the audit process and reduce the volume of queries shared with finance officers during audit fieldwork.</p> <ul style="list-style-type: none"> <li>• The Council currently presents transfers between short- and long-term borrowings within the cash flow statement supporting workings. Since the line item is presented on a combined basis, it is our view that these movements in the working paper adversely impact the understandability of the underlying transactions presented and removing such movements would aid with understandability.</li> <li>• The values presented in the statement for borrowings taken and repaid are not round numbers. We view this as an immediate red flag since the Council takes and repays borrowings to the nearest £million (aside from some small transactions with the local parish council). Any interest paid at the end of the term is not to be presented alongside principal capital repaid. It is our view that this principle around the nature of the Council's transactions should be considered during the Council's preparation of this statement in future accounting periods.</li> <li>• Whilst noting the indirect method of preparation has been adopted by the Council, we consider that there is scope for the Council to also present actual cash-based transactions alongside its workings, and demonstrate how these reconcile with the workings shown in the Council's long-standing working papers. For example, it is our view that presents a list of borrowings taken and repaid alongside existing workings and showing how these reconcile to the values presented in the statement of cash flows would likely to demonstrate the validity and accuracy of the figures presented.</li> </ul>		
<p><b>5. Outlier data used in the calculation of the annual leave accrual</b></p> <p>The calculation of the year end accrued leave creditor in 2023-24 was based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative &amp; owed to the Council) and the highest at 315 days accrued. The average was 11 days but the middle value (median) was almost half of</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>

<p>that at just below 6 days. This gave rise to some estimation uncertainty in the calculation of the accrual albeit this was not deemed material.</p> <p>We recommended that a data collection exercise take place in the remaining months of the financial year and any outliers are appropriately challenged by management.</p>		
<p><b>6. Employee Handbook – Document Out of Date</b></p> <p>Our review of the Employee Handbook, that sets out the terms and conditions of employee service, highlighted that this was last updated October 2015. This is a key document and around 9 years since its last update, there may have been changes in the working environment, one of these may be the Council’s protocols in respect of hybrid and remote working.</p> <p>We recommended that this Employee Handbook document be updated to capture changes in the working environment and the Council’s working practices and policies. We suggested that this be completed within the next six months (targeting mid-2025).</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>
<p><b>7. Maintaining up to date knowledge of the Council’s buildings estate</b></p> <p>Our audit work identified examples where changes to the function, internal floors areas of buildings within the Council’s buildings portfolio including one school that has been taken out of service, and these changes in estate have not been notified to the finance function or management’s external expert valuer. These cases identified that decisions appear to have been taken by the service but the relevant information and likely impact on the buildings portfolio, has not flowed to the capital finance team to be considered and reflected as appropriate in the annual accounts.</p> <p>We recommended that management build in additional communication between each relevant service, estates, the capital finance team and the external valuer. This is to include identifying key changes to buildings such as closure / decommissioning, a significant change in opening hours, repurposing and marketing a building for sale.</p>	<p>External audit update 2024-25:</p> <p>From the detailed testing performed in 2024-25 on the closing valuation of land &amp; buildings, we have not identified any instances of buildings being taken out of service or repurposed without management’s valuer being informed. In this regard, communication with the external valuers appears to have improved since prior periods.</p> <p>However, we have continued to encounter issues with the accuracy of gross internal areas used in the valuation, so this recommendation does not appear to have been fully addressed. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>
<p><b>8. Additions posted in quarter 4 (post valuation) for other land &amp; Buildings and council dwellings</b></p> <p>Under existing arrangements, all capital spend posted as capital additions is currently accounted for by the Council as value enhancing,</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>

<p>and therefore it does not give rise to any immediate impairment of the spend capitalised. For spend capitalised in quarters 1 through to 3, the Council’s valuers are able to undertake an assessment as at the valuation reference date of 31 December whether capital spend is value enhancing or non-enhancing. This judgement either support the new carrying value or impairs the asset down to its pre-capital addition carrying value. However, for capital spend posted in quarter 4, current arrangements do not afford the expert valuer an opportunity to assess whether amounts capitalised should increase the net book value or alternatively, be capitalised and impaired concurrently.</p> <p>We reported that the capital accounting function should consider how current processes can be enhanced to appropriately identify non value enhancing capital spend posted in quarter 4 of the financial year, and for this to be impaired so that the closing valuation of land &amp; buildings is not overstated. This may include additional working with the Council’s external expert valuers, to build in additional process steps in order to address this matter.</p>		
<p><b>9. Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice</b></p> <p>Our review of the prior year Narrative Report highlighted a number of areas where we consider additional detail could be added in order to more clearly satisfy the requirements of the CIPFA Code.</p> <p>As per the Code, the Narrative Report should identify and present a range of the Council’s non-financial performance indicators (e.g. KPIs) and provide an accompanying narrative commentary setting out an assessment of the Council’s non financial performance during the year. The Code also states that the Narrative Report should contain appropriate detail for a user to evaluate future sustainability and the effect on service provision, including assessing future s. It was our view that additional detail would be beneficial in the report to properly address these requirements.</p> <p>We recommended that the Council refresh its Narrative Report checklist to ensure all Code requirements are captured in this financial year (2024-25).</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>

**Appendix A – Accounting Estimates**

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	CIPFA Code of Practice and RICS valuation guidance	Valuations compared to net book values.	Yes	No uncertainty or alternative estimate	Indexation of assets not formally revalued.
Council dwelling valuations	CIPFA Code of Practice, Valuation of Housing Stock guidance and RICS valuation guidance	Valuations compared to net book values	Yes	No uncertainty or alternative estimate	No
Investment property valuations	CIPFA Code of Practice and RICS valuation guidance	Valuations compared to net book values	Yes	No uncertainty or alternative estimate	No
Depreciation	CIPFA Code of practice Component accounting	Comparatives each year	No	No uncertainty or alternative estimate	No
Valuation of defined benefit net pension fund asset/ liabilities	The liability estimate is calculated by an actuarial expert, taking into account changes in retirement ages, mortality rates and discount rates.	The actuary selects the assumptions and management reviews the reasonableness of these assumptions.  An actuary advises on the accounting estimates.	Yes	The Pension Fund provides data on pension benefits and membership numbers, to enable the actuary to undertake their estimate. An actuary advises on the accounting estimates. Management review the assumptions and officers discuss these assumptions and underlying estimation techniques with the WY	No

				technical accountants group, to ensure a consistent view.	
PFI Liabilities	CIPFA Code of Practice	The source information is the original contractor's model updated for current and known future changes, plus current information based on the annual unitary payment	No	The accounting model and the basis on which all assumptions are made are reviewed on an annual basis. Changes to the Code of Practice are also reviewed for all relevant developments in relation to PFI accounting. In addition to this, specific changes to each of the individual contracts are monitored to ensure that their impact is reflected in the accounting model. All factors affecting the accounting model are monitored – Code of Practice, the original contractors' model and annual unitary payments. A point estimate is not used.	Indexation of the unitary charge has been reflected in the liability.
Fair value disclosures of debt instruments (Arlingclose reports)	Fair values calculated using discounted rates for debt instruments	Officers review reasonableness of air values to book value	Yes, Arlingclose	Impact of 1% rise and fall considered and disclosed.	No
Bad Debt provision on short-term debtors (note impairment allowance on long term debtors is expected to be immaterial)	Services review individual balances and asses the need and amounts for the provision	Reasonableness assessed compared to previous years.	No	No alternative estimates	No

Expenditure accruals					
-------------------------	--	--	--	--	--

This page is intentionally left blank

# The Audit Plan for Kirklees Council 2025-26

Year ending 31 March 2026

13 April 2026

# Contents

Section	Page
1. The backstop	3
2. Introduction and headlines	4
3. Risks identified and Other matters	6
4. Our approach to materiality	13
5. Progress against prior year recommendations	15
6. IT audit strategy	23
7. Interim audit work	24
8. Value for money arrangements	25
9. Logistics	29
10. Our team and communications	30
11. Fees and related matters	31
12. Independence considerations	33
13. Communication of audit matters with those charged with governance	39
14. Financial reporting changes	41
15. Appendix – Letter to Chair of Corporate Governance and Audit Committee	42



# 1. The Backstop

## The Future of 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 require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support 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.

## Impact on Kirklees Council and our response

Arrangements at the Council have continued to support both the production of draft financial statements in a timely manner and an appropriately resourced financial team to properly engage with the external auditor. As a result of the good arrangements in place, Kirklees Council has not been affected by any of the backstop provisions.

In order to meet future statutory deadlines, for 2025-26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years when the backstop date moves to the end of November from 2027.

We have discussed our plans for the 2025-26 audit and accounts work with your Service Director Finance and Head of Accountancy and we are on with developing a detailed project plan for the audit fieldwork period scheduled from the beginning of July through to early November.

We are aiming for our audit work to be operationally complete by the end of October. Our key outputs and reports being drafted and agreed with management in the first half of November prior to our Audit Findings (ISA260) report on the accounts and our Auditor's Annual Report on the Council's value for money arrangements being presented to Corporate Governance and Audit Committee on 27 November 2026.

As detailed on page 29 of this report (audit timeline) we shall ensure that weekly meetings are scheduled for the audit fieldwork period and we shall be sharing a audit progress tracking document with management on a weekly basis to ensure that continued and even progress is being made from July through the summer months to late October. This is in order to ensure that we are on track to conclude the audit and issue our audit opinion in the days following Corporate Governance and Audit Committee on 27 November 2026. We shall issue a detailed progress report to Corporate Governance and Audit Committee at its meeting on 27 September 2026.

# 2. Introduction and headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Kirklees 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 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 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 financial statements that have been prepared by management with the oversight of those charged with governance (the Corporate 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 Corporate 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 and is risk based.

## Audit logistics

Our planning and interim work commenced in March and will continue into April. Our year-end audit will take place from July through to November. Our key deliverables are this Audit Plan, our Audit Findings (ISA260) Report – which is targeted for November 2026, and our Auditor's Annual Report on VFM arrangements – which is also targeted for November 2026.

Our proposed fee for the audit is £475,983 (PY: £478,400) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested. 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.

# 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
- Closing valuation of land and buildings, including Council dwellings
- Valuation of local government pension scheme defined benefit pension fund net balance

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 £19.4m (PY £18.4m) for the Council, which equates to 1.5% of your prior year gross expenditure on the surplus/deficit on the provision of services (prior year 1.5%).

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Our 'clearly trivial' reporting threshold for issues to be brought to the Corporate Governance and Audit Committee's attention has been set at £0.94m (PY: £0.81m).

We have set a lower materiality level for senior officer remuneration disclosures, as these are considered sensitive disclosures. We have set a lower materiality of £20,000 for the audit in this area.

## Value for Money arrangements

Our 2024-25 Auditor's Annual Report identified three significant weaknesses and three improvement recommendations. Our 2025-26 risk assessment regarding your arrangements to secure value for money has identified three ongoing risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness. These were identified as a result of the three significant weaknesses in arrangements reported in our 2024-25 Auditor's Annual Report.

- The first significant weakness was in respect of the Council's financial sustainability given the Council had continued to overspend on its general fund revenue budget and although the Council has made progress, it has yet to demonstrate that it is financially sustainable in the medium term, with overspending services and low reserve levels.
- The second significant weakness was in respect of the Council's Dedicated Schools Grant deficit. The Council was off track in delivering its planned reduction in the accumulated deficit and eliminating the cumulative deficit by the end of 2029-30 financial year. We note that on 9 February 2026, the UK government announced its intention to fund 90% of councils' cumulative Dedicated Schools Grant (DSG) deficits taken as at 31 March 2026. We shall consider the impact of this announcement in making our assessment of arrangements in place during 2025-26.
- The third significant weakness was in arrangements in relation to the Council's social housing compliance with the Social Housing Regulator standards, specifically in respect of water quality testing, rectifying cases of damp and mould and complying with fire safety legislation.

We will follow up progress against the key recommendations made in 2024-25 and ensure that our work assesses the arrangements in place during 2025-26. See page 26 and 27 for further detail of our value for money risk assessment in the current year.

# 3. 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	Audit team’s assessment	Planned audit procedures
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.</p>	<p>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.</p>	<p>In response to this risk we will:</p> <ul style="list-style-type: none"> <li>• Evaluate the design effectiveness of management's controls over journals. This will include the controls management has in place to review journal postings.</li> <li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals.</li> <li>• Perform a risk-based interrogation of the financial ledger to identify any unusual and potentially fraudulent transactions for testing.</li> <li>• Test unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration.</li> <li>• Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence.</li> <li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> <li>• Examine journals and manual entries made around the time of the preparation of the draft financial statements for appropriateness and corroboration.</li> </ul>



“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).

# Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<b>Closing valuation of land and buildings, including Council dwellings</b>	<p><b>Land and buildings:</b> The Council re-values its land and buildings on a rolling three-yearly basis in line with the Code requirements.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £473m at 31 March 2025) and the sensitivity of this estimate to changes in key assumptions.</p> <p><b>Council dwellings:</b> The CIPFA Code requires that Council dwellings (some £835m at 31 March 2025) should be valued on the basis of existing use value as social housing and the Council has adopted a beacon methodology.</p> <p>The valuation of land and buildings and council dwellings involves subjectivity and a significant degree of judgement and estimation by management. This is due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The closing valuation of land and buildings and council dwellings was identified as a significant risk, and one of the most significant assessed risks of material misstatement.</p>	<p>The Council holds both specialised and non-specialised buildings. The specialised assets comprise schools and leisure centres among others. The valuation approach is depreciated replacement cost (DRC) with the key valuation assumptions being the rebuild cost, building size and adjustments for obsolescence (buildings age, condition &amp; functionality). The Council also holds non-specialised assets such as car parks and offices. These valuations may be undertaken with reference to observable open market values for similar land &amp; buildings or using a capitalisation of income approach. Council dwellings are also considered non-specialised. For dwellings, the beacon methodology is applied which identifies a value based on market comparables, which is then applied to similar properties.</p> <p>For the first time in 2025-26, the Code now requires indexation in the intervening years between revaluations. The Council will be adopting this for the first time this year, and applying indexation to land and buildings not subject to a full revaluation during the financial year.</p> <p>In response to this risk we will:</p> <ul style="list-style-type: none"><li>• evaluate the design effectiveness of management controls around processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li><li>• evaluate the competence, capabilities and objectivity of the valuation expert</li><li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li><li>• engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation</li><li>• test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register</li><li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied itself that their carrying values are not materially different to current value at year end</li></ul>

(continued overleaf)

# Significant risks identified (continued)

Significant risk	Planned audit procedures
<p>Closing valuation of land and buildings, including Council dwellings (continued)</p>	<ul style="list-style-type: none"><li>• agree, on a sample basis, the internal floor areas (GIAs) to the Council's K2 property asset management software and AutoCAD building measurement software</li><li>• for non-specialised properties valued on the existing use value (EUV) basis, obtain market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations</li><li>• for council dwellings, valued using the beacon methodology, obtain comparables from online sold property websites and assess the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we will assess the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites.</li><li>• assess the Council's application of indexation to land and buildings not subject to a full valuation in 2025-26 in terms of the selection of an appropriate and relevant index for the specific land and buildings and the accurate application and calculation of the indexed valuation.</li></ul>

# Significant risks identified (continued)

## Significant risk Audit team's assessment

### Valuation of the local government pension scheme (LGPS) defined benefit pension fund net balance (£nil at 31 March 2025)

The Council's LGPS pension fund net balance, as reflected in its balance sheet, represents a significant estimate in the financial statements.

The pension fund net balance is considered a significant estimate in the financial statements due to the size of the numbers involved to arrive at that net balance (gross asset of £2.5bn and liability of £1.9bn in 2025) and the sensitivity of the estimate to changes in key assumptions.

In 2025, the Council identified a net LGPS pension surplus totalling £0.6bn that was capped at £nil in the financial statements under the principles of IFRIC 14. Gross assets were reduced by £0.6bn to reach the £nil balance sheet position.

There is an additional net pension liability of £47.5m (at March 2025) which reflects the Council's obligations in respect of unfunded liabilities, for which there are no pension assets to offset. We have not identified the unfunded liabilities of £47.5m as being within the scope of the significant risk.

A key aspect of our work planned is to consider whether this LGPS pension fund net surplus position remains supported by fund-level assumptions and market-based factors.

We therefore identified the valuation of the Council's LGPS pension fund net balance as a significant risk of material misstatement.

## Planned audit procedures

In response to this risk we will:

- update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net balance is not materially misstated and evaluate the design of the fund assets valuation in the pension fund financial statements and associated controls
- evaluate the instructions issued by management to their management expert (consulting 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 Council's pension fund valuation
- assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the net LGPS pension balance
- test the consistency of the pension fund figures and disclosures in the draft financial statements with the actuarial report from the actuary
- 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
- obtain assurances from the auditor of the West Yorkshire 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
- evaluate the appropriateness (as applicable) of recognising a pension asset position against the Code and IFRIC 14 criteria
- assess the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenge management on the validity and appropriateness of the assumptions used in the calculation including the existence of a minimum funding requirement, the future lifetime of the scheme (in years) and the level of future funding contributions (as a % of payroll costs)
- confirm that pension fund asset valuations were based on a 31 March 2026 valuation date
- review the accounting for any unfunded liability element of LGPS, including where this has been offset against the net funded LGPS balance.

# Risks rebutted

Significant risk	Audit team's assessment	Planned audit procedures
<p><b>The revenue cycle includes fraudulent transactions (rebutted)</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including the Council mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore, we have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams due to the low fraud risk in the nature of the underlying transactions.</p>	<p>Whilst the risk has been rebutted and we do not consider revenue recognition to be a significant risk for the Council, we shall perform standard audit procedures on this material stream of transactions. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate up to the time of concluding the audit.</p> <p>In respect of income recognised (risk rebutted) we will:</p> <ul style="list-style-type: none"> <li>• Evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code.</li> <li>• For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including the treatment of credited to services and recognition as non-ringfenced other grant income. Testing will also give regard to the treatment of grant income as principal or agent.</li> <li>• For income raised from council tax and non-domestic rates, which are of a predictable nature, we have performed substantive analytical based on the number and value of rateable properties, applying any annual increases to rates as appropriate.</li> <li>• Agree, on a sample basis, income transactions and year end income accruals to supporting documentation and cash receipts to evidence the occurrence of these transactions.</li> <li>• We will carry out testing on sample basis of invoices raised and bank receipts either side of the reporting date of 31 March 2026 to determine whether income is recognised in the correct accounting period.</li> </ul>

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.

# Risks rebutted (continued)

## Significant risk

### The expenditure cycle includes fraudulent transactions (rebutted)

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 per PN10, fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

As a result under PN10, there is a requirement on auditors to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

## Audit team's assessment

We considered the risk that expenditure may be misstated due to the improper recognition of expenditure. We have rebutted this for all expenditure streams because:

- the Council is expected to have £62m of general fund reserves at 31 March 2026, based on the quarter 3 forecast and assuming a balanced outturn position. Unearmarked general fund reserves are expected to be £25m, which represents 6.3% of the 2025-26 net revenue budget (£396m). This exceeds the broad 5% target in the LG sector and as such the availability of reserves to fund the Council's expenditure does not indicate excessive pressures at the Council.
- there is little incentive to manipulate expenditure for the Council where services are provided to the public through taxpayers' funds.
- the Council requires cash to meet its payroll and third-party payment obligations and therefore any manipulation of expenditure between accounting periods does not generate any clear financial benefits.
- the Council has a number of contracted key suppliers with whom frequent recurrent transactions are made, which are followed by timely payments, usually within 30 days of receipt of goods. As such, regular bank payments are required to suppliers, which reduces any opportunity to exclude expenditure transactions from being reported in the general ledger.
- whilst budget pressures have been identified in respect of adult social care, children's residential placements and home to school transport, direct payments are made to external suppliers on either a weekly or monthly basis. Therefore, there is little opportunity for the Council to exclude this expenditure from the general ledger based on the bank reconciliation procedure and predictability of these expenditure streams over a financial year.
- the Council has clear and transparent reporting of its financial plans and financial position, including regular reporting of budget variance analysis to its Senior Management Team, the Cabinet and Corporate Governance and Audit Committee.

We also considered the risk of fraudulent expenditure recognition in relation to capital expenditure and concluded that it is not a significant risk. We have considered the material risk of improper expenditure and we have identified a risk in relation to completeness of operating expenditure, however, we do not consider this to be a significant risk of material misstatement at this time.

## Planned audit procedures

Whilst the risk has been rebutted and we do not consider expenditure recognition to be a significant risk for the Council, we shall perform standard audit procedures on this material stream of transactions. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate up to the time of concluding the audit.

In respect of expenditure recognised (risk rebutted) we will:

- Evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code.
- Update our understanding of the system for accounting for the expenditure and procedures to ensure the completeness of expenditure recorded in the financial year.
- Undertake a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year are supported by underlying data including enacted pay awards and movements in workforce numbers.
- Agree, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded.
- Inspect a sample for year end accrued expenditure not yet invoiced to assess whether the value of the accrual was consistent with the value invoiced post year end.
- Complete substantive testing of expenditure streams in 2025-26 including sample testing material transactions.
- Design and carry out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2026.

# 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 within the borough 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.



“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)

# 4. 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

### 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, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.

Materiality at the planning stage of our audit is £19.4m, which equates to 1.5% of your prior year (2024-25) gross expenditure on the deficit on the provision of services (prior year: £18.4m).

### 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 where it may affect instances when greater precision is required.

### Matters we will report to the Corporate 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 Corporate 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.

## Planned audit procedures

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
- assist in evaluating the effect of known and likely misstatements in the financial statements.

We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.

We report to the Corporate 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 Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.94m (PY £0.81m).

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance and Audit Committee to assist it in fulfilling its governance responsibilities.


# Our approach to materiality (continued)

Description	Amount	Qualitative factors considered
Materiality for the Council's financial statements	£19.4m	This equates to 1.5% of the Council's gross expenditure on the deficit on the provision of services for 2024-25 based on the audited statement of accounts for the year then ended (£1.27bn). Our overall risk assessment at the planning stage supports the 1.5% benchmark applied. In the materiality determination, we adjusted for non-recurrent items of expenditure including losses on disposal, and revaluation losses on assets held for sale and following initial recognition of IFRS16 – taken together these reduced expenditure by £30.8m.
Performance Materiality (PM)	£13.58m	The performance materiality has been set at 70% of financial statement materiality, consistent with the measurement percentage used in the prior period. This reflects our risk assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Trivial Matters	£0.94m	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements. This equates to 5% of headline materiality. We will report all misstatements identified in excess of £940k to Corporate Governance and Audit Committee.
Materiality for specific transactions, balances or disclosures	£20k	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

## 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. We will reconsider our materiality level upon receipt of the Council's draft 2025-26 financial statements which are expected at the end of June 2026.

Page 50



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)

# 5. Progress against prior year audit recommendations

We identified the following issues in our 2024-25 audit of the Council’s financial statements, which resulted in four recommendations being reported in our 2024-25 Audit Findings (ISA260) Report and a further eight being brought forward from 2023-24. We have followed up on the implementation of our recommendations as part of our audit planning work in 2025-26 and an update against each of the recommendations raised has been included below. We shall provide a further update on these prior year audit recommendations in our Audit Findings (ISA260) report due November 2026.

## Original Assessment Issue and risk previously communicated

## Update on actions taken to address the issue(s)

●  
Medium

### Costing of internal repairs & maintenance, and capital works

Our work in the prior year identified that for housing stock repairs, an inflation factor was being applied to cover the period from 2007-08 to the 2024-25 year. The year 2007-08 was the year that these internal costings for each job type were last reviewed. This job costing from 2007-08 was being inflated by this inflation factor to calculate the job costings utilised in the 2024-25 financial year. This was 1.27 for this financial year and affected internal capital works that were capitalised by the Council.

We recommended that the Council update its costings for recharges to capital so that such general inflation factors are no longer applied in future financial years.

### Management response (January 2026):

*The majority of works carried out by Property Services are charged on new principals and rates, for instance Responsive Repairs are now charged via price per property. Unfortunately, Empty Homes is the only work stream that has not moved to a new charging model but is still based on the original tendered contract rates, which have been inflated each year. However, the service is currently implementing a new IT system, which will eradicate many of the manual processes, and automate them within the new IT system, and this will include how jobs are costed and charged.*

●  
Low

### Understandability of working papers to support the Council’s bad debt provision held on the balance sheet against its short-term debtor balances

Our work in 2024-25 highlighted that whilst the Council has accounted for an impairment allowance on short-term debtor balances as per the requirements of the Code, we encountered some difficulties in identifying the relevant working papers for the balances on the TB.

We recommended that the Council considered how the working papers for the bad debt provision could be summarised or indexed so it is clear in 2025-26 which working papers are relevant to each of the lines for the bad debt provision on the TB. We also recommended that the service accountants check the supporting working papers agree through to TB balances as a final step in the accounts closedown process.

### Management response (January 2026):

*The Council will review and consider producing a working paper for 25/26 that ties the overall bad debt provision to the individual working papers produced by Service Accountants and back to the trial balance.*

# Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
● Medium	<p>The Council's proposed approach to ensure full compliance with Statutory Guidance Capital finance: guidance on minimum revenue provision (5th edition) (Effective for accounting periods starting on or after 1 April 2025)</p> <p>New statutory guidance which takes full effect from April 2025, introduces new provisions for charging MRP on capital loans, specifically for loans issue after 7 May 2024. This guidance states that where an impairment of the loan is recognised in any financial year, a local authority must charge MRP which is at least equal to the impairment recognised. There is no requirement to make a day one MRP charge to match the historic cumulative impairment recognised, however, the revised statutory guidance states that LAs must be satisfied that the charging of minimum revenue provision is sufficiently prudent. At March 2025, the Council has £20m of capital loans against which a £4m impairment provision has been accounted for in unusable reserves. To date, no MRP has been charged against these loans. We recommended Management confirm and report its proposed approach to charging MRP on capital loans in 2025-26 and beyond.</p>	<p><b>Management response (January 2026):</b></p> <p><i>All loans provided by the Council are not primarily for financial purposes and are therefore non-commercial. The Council will comply with the new guidance effective from April 2025. Where required, the council will charge MRP in accordance with expected credit losses recognised. However, it should be noted that per paragraph 75, the requirement to charge MRP in line with the expected credit loss does not apply to capital loans made prior to the commencement of the regulation (07/05/24). Therefore, for existing loans, in line with paragraph 78, the Council will ensure, that as a minimum, MRP is charged to cover any expected shortfall over the remaining life of the assets funded by the loan.</i></p> <p><b>Auditor update (April 2026):</b></p> <p>We acknowledge management's response from January 2026 which makes clear the Council's interpretation of the requirements of the revised statutory guidance. We shall consider whether this interpretation aligns with our own and should we have any queries, we shall raised these with management in the early part of our audit fieldwork commencing July 2026.</p>

# Progress against prior year audit recommendations (continued)

Original Assessment Issue and risk previously communicated

Update on actions taken to address the issue(s)

●  
High

## Integrity, accuracy and understandability of working papers to support the Council's cash flow statement

In the prior year, we reported that during the last two cycles of external audit, we have flagged concerns that the sections of the statement include non-cash-based transactions, which contrary to the principles of the cash flow statement. We also reported that working papers presented to us could be enhanced/reviewed in 2025-26 to support the audit process and reduce the volume of queries shared with finance officers during audit fieldwork.

We recommended that the Council consider removing the transfers between short- and long-term borrowings from its cashflow working papers since these transfers do not impact on cash and the Council also consider presenting actual cash-based transactions alongside its existing workings to demonstrate how the workings reconcile with cash based transactions that took place during the year. We recommended that the Council undertake some work to simplify and improve the clarity of this working paper to aid with its overall understandability and aid a more efficient audit of the cash flow statement in 2025-26.

## Management update (January 2026):

*The Council will seek to simplify its current Cash Flow working paper and introduce additional checks and reviews in order to improve accuracy, consistency and understandability.*

●  
Medium

## Outlier data used in the calculation of the annual leave accrual

The calculation of the year end accrued leave creditor in 2023-24 was based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative & owed to the Council) and the highest at 315 days accrued. The average was 11 days but the middle value (median) was almost half of that at just below 6 days. This gave rise to some estimation uncertainty in the calculation of the accrual albeit this was not deemed material.

We recommended that a data collection exercise take place in the remaining months of the financial year and any outliers are appropriately challenged by management.

## Management update (January 2026):

*The accrual is an estimate based on a sample of employees over a range of services taken at a point in time. The sample was used to calculate an average number of days leave and flex and applied to employee numbers and salary costs and the balance sits within unusable reserves. Outliers cannot be eliminated as that is part of the sample, however management note the potential impact.*

# Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
● Low	<p><b>Employee Handbook – Document Out of Date</b></p> <p>Our review of the Employee Handbook, that sets out the terms and conditions of employee service, highlighted that this was last updated October 2015. This is a key document and around 9 years since its last update, there may have been changes in the working environment, one of these may be the Council’s protocols in respect of hybrid and remote working.</p> <p>We recommended that this Employee Handbook document be updated to capture changes in the working environment and the Council’s working practices and policies. We suggested that this be completed within the next six months (targeting mid-2025).</p>	<p><b>Management update (January 2026):</b></p> <p><i>Updates on polices have taken place over the years to reflect changes to employment legislation and ensure compliance. The employment rights bill has now become law, it received Royal Assent in December 2025 and we now have the Employment Rights Bill 2025. This year is a landmark for the most significant employment law changes for 2026 and beyond. We have now completed recruitment of a HR Manager for Employee Relations and the recruitment of the other essential team members. Informal conversations have taken place with key stakeholders to understand priorities for the handbook and how this links with the new legislations and their timings. There is a paper being presented to ELT in February to present options and recommendations and the proposed approach and timescales for the Council.</i></p>

# Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
<p>● Medium</p>	<p><b>Adult Social Care – Client Contributions – accurate recording in general ledger</b></p> <p>Our work on testing fees and charges – adult social care client contributions identified a sample with an annual contribution value in the general ledger did not agree to the individual’s financial assessment used to determine the annual client contribution. Whilst the client had been correctly invoiced as per their financial assessment and this did not give rise to a material issue in the annual accounts, we noted that the Council should ensure that transactions are accurately reflected in its general ledger.</p> <p>We recommended that work continue to develop a direct interface between the Mosaic system (adult social care subsystem) and general ledger to prevent such errors from occurring in the future. We also recommended that service accountants conduct an additional reconciliation/review procedure during 2025 closedown to identify any errors prior to draft accounts being produced.</p>	<p>Management update (January 2026):</p> <p><i>The Interface is still planned and awaiting go-live. Work began last week on a full income reconciliation, the aim being to have it fully completed before closedown.</i></p>
<p>● Medium</p>	<p><b>Investment Property – Ensuring Code compliance in respect of the requirement for and annual revaluation of the whole asset class</b></p> <p>Investment properties are required to be revalued annually in accordance with the CIPFA Code. At 31 March 2024, there were investment properties totalling £9.3m which had not been subject to annual revaluation, which was not compliant with Code requirements. Management asserted that investment properties below £250k are de minimis and trivial to the overall balance of investment property by the Authority. These sub-£250k investment property assets are subject to a valuation of the basis of a 3-year rolling programme.</p> <p>The value of this sub-£250k population currently excluded from the Code requirement for an annual valuation has risen in recent years towards our audit performance materiality threshold of £12.8m. Given the continued increases, we reported that there is a risk that the Council does not comply with CIPFA Code requirements, to a material extent, which could impact on the auditor’s opinion in future periods.</p> <p>We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.</p>	<p>Management update (January 2026):</p> <p><i>The Council applies a de-minimis threshold for annual revaluation due to impracticality and the cost of revaluing every asset annually when these values would not significantly change year on year. This process has been agreed with the 2 previous Audit Partners.</i></p>

# Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
● Medium	<p><b>Use of recharges in the Council’s financial statements without supporting data and a reconciliation process to verify the validity of these recharges</b></p> <p>The Council uses a number of recharges in the financial statements to allocate costs to services in order to record the total cost of delivering each service. There are also a number of instances when an internal service deliver services for another service – for example, repairs carried out on a Council-owned school by building services would result in an internal recharge to the school’s budget. From a financial accounts perspective, this internal charges should be eliminated as they do not represent income and expenditure with third-parties. Leaving internal transactions in the accounts serves to gross up both income and expenditure but are not a true reflection of the quantum of the Council’s transactions with third-parties in any given year.</p> <p>Currently, the procedures for recording and coding recharges in the general ledger are not sufficient to be able to match income and expenditure recharges and eliminate these out of the accounts. The current process is to record an amount for income recharged and designate this as Income - Internal Recharges at note 9 in the accounts, however, this cannot be matched against the expenditure to be recharged and therefore, the accuracy and validity of this value cannot be practicably demonstrated to the external auditors.</p> <p>We recommended that further work be undertaken on the Council’s processes for accounting for internal income and expenditure, making any changes to processes as appropriate in order to eliminate the need for recharges to be posted in the general ledger. We noted that direct charging may be one option, alternatively the Council could opt to improve the coding and transparency within the general ledger so that recharged transactions can be eliminated at the time of preparing the financial statements.</p>	<p><b>Management update (January 2026):</b></p> <p><i>Noted and the Council has commenced a process to reduce the number of recharges and reduce the administration around the process.</i></p>

# Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
<p>● Medium</p>	<p><b>Maintaining up to date gross internal area records of the Council’s buildings estate</b></p> <p>Our audit work (sample testing) identified examples where internal floors areas of buildings within the Council’s buildings portfolio did not reconcile between the external expert valuer’ workings, the Council’s K2 property management system and the electronic CAD floorplans for the building. The gross internal area of a building is deemed a key assumption for the valuation of a specialised building valued on a depreciated replacement cost (DRC) basis.</p> <p>Our testing of gross internal areas data in 2024-25 continued to indicate variances between the valuation reports and the underlying data. We recommended that the Council undertake further work ahead of the 2025-26 valuations cycle to resolve and clear any variances between sources of underlying data so that the Council is assured that any source data provided to their expert valuer in 2025-26 is accurate.</p>	<p><b>Management update (January 2026)</b></p> <p><i>On gross internal areas (floor area data), we agree there is an issue, however there is currently a new system being provided by Estates and plans provided to the valuer in 25/26 will be checked to CAD drawings.</i></p> <p><i>In addition, the Assets &amp; Estates service have confirmed that this is the final year of using the K2 system and its replacement shall be far more efficient and fit for purpose. Further, the floor areas for 2025/26 will be taken solely from the CAD plans and a separate list of floor areas will be provided to the valuer.</i></p>
<p>● Medium</p>	<p><b>Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice</b></p> <p>Our review of the prior year Narrative Report highlighted a number of areas where we consider additional detail could be added in order to more clearly satisfy the requirements of the CIPFA Code.</p> <p>As per the Code, the Narrative Report should identify and present a range of the Council’s non-financial performance indicators (e.g. KPIs) and provide an accompanying narrative commentary setting out an assessment of the Council’s non financial performance during the year. The Code also states that the Narrative Report should contain appropriate detail for a user to evaluate future sustainability and the effect on service provision, including assessing future s. It was our view that additional detail would be beneficial in the report to properly address these requirements.</p> <p>We recommended that the Council refresh its Narrative Report checklist to ensure all Code requirements are captured in this financial year (2024-25).</p>	<p><b>Management update (January 2026):</b></p> <p><i>Whilst noting the recommendation, the Code states that this section of the Accounts is outside the scope of the audit and the resulting audit opinion. Management are content that the Narrative Report satisfies the statutory requirements laid out in the Code and would stress that within the requirements of the Code, the content and style of the Narrative Report is at the discretion of the Council. Management are also content that the information contained within the Narrative Report is not only consistent with prior years disclosures but also in-line with other neighbouring authorities.</i></p>

# Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
● Medium	<p><b>Additions posted in quarter 4 (post valuation) for other land &amp; buildings and council dwellings</b></p> <p>Under existing arrangements, all capital spend posted as capital additions is currently accounted for by the Council as value enhancing, and therefore it does not give rise to any immediate impairment of the spend capitalised. For spend capitalised in quarters 1 through to 3, the Council's valuers are able to undertake an assessment as at the valuation reference date of 31 December whether capital spend is value enhancing or non-enhancing. This judgement either supports the new carrying value or impairs the asset down to its pre-capital addition carrying value. However, for capital spend posted in quarter 4, current arrangements do not afford the expert valuer an opportunity to assess whether amounts capitalised should increase the net book value or alternatively, be capitalised and impaired concurrently.</p> <p>We reported that the capital accounting function should consider how current processes can be enhanced to appropriately identify non value enhancing capital spend posted in quarter 4 of the financial year, and for this to be impaired so that the valuation of land &amp; buildings is not overstated. This may include additional working with the Council's external expert valuers, to build in additional process steps in order to address this matter.</p>	<p><b>Management update (January 2026):</b></p> <p><i>Noted. However, the Council cannot move the valuation date to 31 March as this would not allow the statement of accounts to be completed by the statutory deadline date. The current approach is based on a pragmatic methodology to ensure that the balances are materially correct. Although we do not have a formal working paper or document, we do review capital expenditure added after the valuation date and would consider the issue of impairment. In some cases, there could be some instances where there is impairment, but the amounts are not material at the level of individual assets. We will investigate the possibility of adding a separate note in our capital expenditure working paper.</i></p>

# 6. IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

SAP and Active Directory were in scope for the purpose of our IT audit work. SAP is in scope as the key accounting system at the Council and Active Directory has also been scoped in since single-sign on (SSO) is in use at the Council which allows a user to log into SAP from their Windows profile without having to re-enter credentials, and as such Active Directory is indelibly linked with SAP user access rights (security management). Active Directory is a Microsoft directory service used to manage devices, users, domains, and objects within a Windows domain network.

Based on the planned financial statement audit approach we will perform the level of assessment required, which are set out in the table below. We will keep this under review as the audit progresses and update our understanding if there are additional IT systems within the scope of the audit.

We will report to you including our assessments and findings (as applicable) in our Audit Findings (ISA260) Report due November 2026.

IT system	Audit area	Planned level IT audit assessment
SAP	Core Financial Reporting, including Accounts Payable and Receivable	<ul style="list-style-type: none"><li>• Detailed ITGC assessment design effectiveness</li><li>• Test the design and implementation of the ITGCs</li><li>• Follow up on IT related recommendations raised in the previous audit</li><li>• Review of cybersecurity controls.</li></ul>
Active Directory	User Access Controls: Single Sign on to SAP	<ul style="list-style-type: none"><li>• Detailed ITGC assessment design effectiveness</li><li>• Test the design and implementation of the ITGCs.</li></ul>

# 7. Interim Audit Work

## Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below. This has been discussed with management prior to the issue of this Audit Plan.

Description	Work commentary
Review of prior year recommendations	We will perform a review of the Council’s progress against audit recommendations we have raised in the prior year.
Payroll	<p>We will:</p> <ul style="list-style-type: none"> <li>• Select a sample of starters, leavers and change of circumstances</li> <li>• review monthly payroll reports up to month 11.</li> </ul>
Property, Plant and Equipment – Existence Testing	We will perform existence testing based on the opening balances for PPE and obtain photographs and title deeds, as appropriate, to obtain assurance that the existence assertion has been satisfied.
Advance testing areas	<p>We will select samples for advance testing using transactions covering the period from month 1 to 11 on:</p> <ul style="list-style-type: none"> <li>• fees and charges</li> <li>• grant income</li> <li>• operating expenditure</li> <li>• capital commitments (year end position)</li> <li>• business rates and council tax reliefs for months 1-10</li> </ul>
Validating information provided by the entity (IPE)	<p>We shall verify the parameters used by the Authority to extract the following data and observe this data being shared with audit to obtain assurances over the accuracy and completeness of data provided:</p> <ul style="list-style-type: none"> <li>• payroll listings which underpin the remuneration disclosure notes to the financial statements</li> <li>• council dwellings rental income listings and stock numbers exported from the Civica Cx Housing Management system</li> </ul>
Council preparations for the indexation of land and building valuations	We will inquire / perform a review of the Council’s approach to land and buildings valuations and implementation of indexation within the revaluation cycle.

# 8. Value for Money Arrangements

## Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This deadline has been set at November 2026, and we envisage that this can be met and our 2025-26 Auditor's Annual Report presented to your Corporate Governance and Audit Committee at its November 2026 committee meeting. The three specified reporting criteria are set out below:

### Financial sustainability

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



### Governance

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



### Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

# Risks of significant weakness in VFM arrangements

## 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. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025-26. 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	2024-25 Assessment of arrangements	2025-26 Risk assessment	2025-26 risk-based procedures planned
Financial sustainability	R Two continuing significant weaknesses in arrangements identified in respect of the Council's financial position and DSG deficit were identified, and two key recommendations retained.	Two ongoing risks of significant weakness identified based on the two significant weaknesses identified and reported in the prior year.  Risks of significant weakness at the planning stage include: <ul style="list-style-type: none"> <li>Financial sustainability (controlling expenditure, delivering savings and sustaining reserves balances)</li> <li>Addressing the DSG deficit position.</li> </ul>	We will follow up progress against the key recommendations made and ensure that our work assesses the arrangements in place during 2025-26.  For Financial sustainability, we will consider: <ul style="list-style-type: none"> <li>how the Council is addressing the key recommendation raised in 2024-25</li> <li>the year end position, including general fund outturn, reserves and delivery of savings plans</li> <li>the extent of the challenge as set out in its MTFS.</li> </ul> For DSG, we will consider: <ul style="list-style-type: none"> <li>the action taken in response to our key recommendation raised in 2024-25</li> <li>the year-end DSG deficit position</li> <li>what additional mitigation actions are planned and</li> <li>the current position with the Department for Education and the safety valve programme.</li> </ul> We note that on 9 February 2026, the UK government announced its intention to fund 90% of councils' cumulative Dedicated Schools Grant (DSG) deficits taken as at 31 March 2026. We shall consider the impact of this announcement in making our assessment of arrangements in place during 2025-26.

# Risks of significant weakness in VFM arrangements (continued)

Criteria	2024-25 Assessment of arrangements	2025-26 Risk assessment	2025-26 risk-based procedures planned
Governance	A No significant weaknesses identified; one improvement recommendation has been updated on waiver reporting and one improvement recommendation raised to support reporting and monitoring of the Council's capital programme.	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 on the improvement recommendation made in 2024-25.
Improving economy, efficiency and effectiveness	R One continuing significant weakness identified on the Council's housing compliance, resulting in a key recommendation being retained and updated. An improvement recommendation is retained on data quality, and a new improvement recommendation is raised on implementing improvement following the 2025 Local Area SEND Inspection.	One ongoing risk of significant weakness identified based on the significant weaknesses identified and reported in the prior year.  Risk of significant weakness at the planning stage includes: <ul style="list-style-type: none"> <li>• Arrangements in place in relation to the Council's social housing compliance with the Social Housing Regulator standards.</li> </ul>	We will follow up progress against the key recommendation and improvement recommendations made and ensure that our work assesses the arrangements in place during 2025-26.  We will consider: <ul style="list-style-type: none"> <li>• how the Council is addressing the key recommendation raised in 2024-25</li> <li>• the actions taken to improve social housing in line with agreed action plans</li> <li>• any discussions or responses from the Social Housing Regulator.</li> </ul>

No significant weaknesses or improvement recommendations.

No significant weaknesses, improvement recommendation(s) made.

Significant weaknesses in arrangements identified and key recommendation(s) made.

# Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council'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 table below.

## Potential types of recommendations



### Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council 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 Council. We have defined these recommendations as 'key recommendations'.



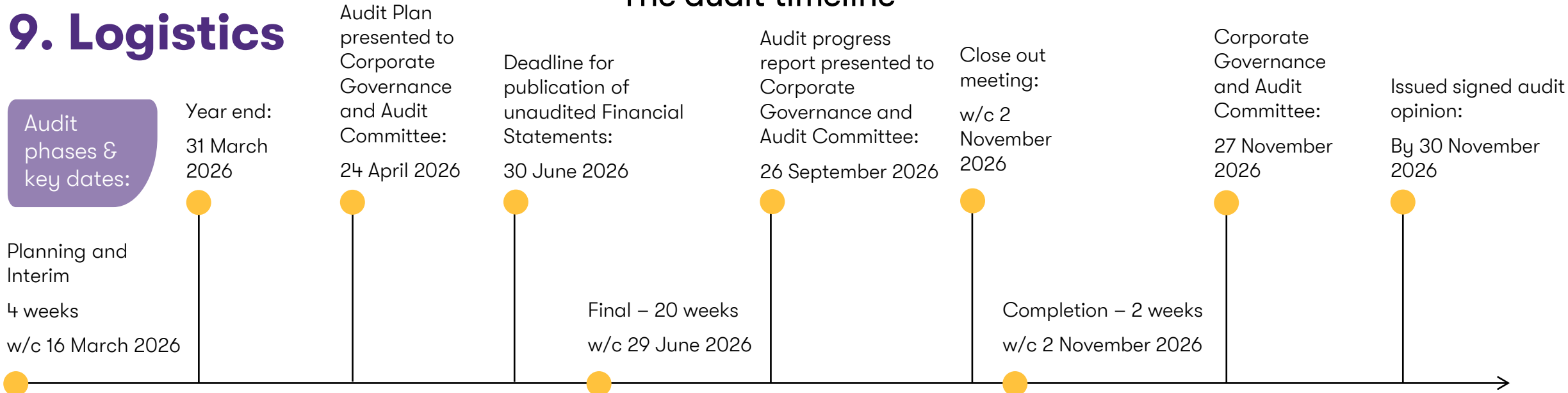
### Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

# 9. Logistics

## The audit timeline

Audit phases & key dates:



### Key elements

- Debrief with management on the prior year accounts audit and adopting a more compressed audit timetable in 25/26
- Audit scoping and risk assessment to be completed
- Completion of system walkthroughs and document design effectiveness of relevant controls
- Discuss and agree timetable and deliverables with management
- Review of key judgements and estimates

Select samples for advance audit testing and share with management

Issue the Audit Plan to management and Corporate Governance and Audit Committee

### Key elements

- Audit team to complete fieldwork and detailed testing - using a hybrid approach (on-site and remote)
- Audit of the financial statements
- Weekly update meetings with management to help ensure progress and identify issues as they arise.
- Progress tracker to be shared with management weekly
- Value for money team to undertake enquires, collate evidence and draft their assessment on Council's arrangements

### Key elements

- Audit Findings (ISA260) Report shared and agreed with management
- Audit Findings (ISA260) Report issued to Corporate Governance and Audit Committee
- Audit Findings (ISA260) Report presentation to Corporate Governance and Audit Committee
- Auditor's Annual Report draft issued to management and reported to Corporate Governance and Audit Committee
- Finalise and sign financial statements and audit report before the end of November 2026

# 10. Our team and communications

## Grant Thornton core team

<p><b>Gareth Mills</b> Engagement Lead &amp; Key Audit Partner</p> <ul style="list-style-type: none"> <li>• Key contact for senior management and Corporate Governance and Audit Committee</li> <li>• Overall quality assurance supported by EQR Partner</li> </ul>	<p><b>Greg Charnley</b> Audit Senior Manager</p> <ul style="list-style-type: none"> <li>• Audit planning</li> <li>• Main contact for the finance team</li> <li>• Project and Resource management of the delivery of the audit</li> <li>• Performance management reporting</li> </ul>	<p><b>Aanchal Singla</b> Audit Assistant Manager</p> <ul style="list-style-type: none"> <li>• Audit team management</li> <li>• Day-to-day point of contact</li> <li>• Audit fieldwork lead contact</li> </ul>	<p><b>Ginette Beal</b> VFM Audit Manager</p> <ul style="list-style-type: none"> <li>• Value for Money planning and risk assessment</li> <li>• Main contact for review of VFM arrangements</li> <li>• Preparation of the VFM commentary in the Auditor’s Annual Report</li> </ul>
---	--	---	--

Pool of specialists and other technical specialists:

- Internal IT audit team
- Internal property valuations team.

	Service delivery	Audit reporting	Audit progress	Technical support
<b>Formal communications</b>	<ul style="list-style-type: none"> <li>• Annual client service review</li> </ul>	<ul style="list-style-type: none"> <li>• The Audit Plan</li> <li>• Audit Progress and Sector Update Reports</li> <li>• The Audit Findings (ISA260) Report</li> <li>• Auditor’s Annual Report on VFM arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• Audit planning meetings</li> <li>• Audit clearance meetings</li> <li>• Communication of issues log</li> <li>• Quarterly liaison meetings with the three statutory officers</li> </ul>	<ul style="list-style-type: none"> <li>• Technical updates</li> </ul>
<b>Informal communications</b>	<ul style="list-style-type: none"> <li>• Open channel for discussion</li> </ul>		<ul style="list-style-type: none"> <li>• Communication of audit issues as they arise</li> </ul>	<ul style="list-style-type: none"> <li>• Notification of upcoming issues</li> </ul>

# 11. Our fee estimate

## 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 good quality sets 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 estimates 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:
  - Closing valuation of land and buildings, including council dwellings and investment properties
  - Valuation of Local Government Pension Scheme defined benefit net pension balance.

## Previous year

In 2024-25 the scale fee set by PSAA was £473,400. The actual fee charged for the audit was £478,400. At the time of drafting this Audit Plan, the £5k fee variation for the IFRS 16 implementation review remains subject to PSAA agreement.

	Audit Fee for 2024-25	Proposed fee for 2025-26
Kirklees Council Scale Fee (per PSAA contract)	£473,400	£475,983
IFRS 16 implementation review (first year adoption of the new accounting standard)	£5,000	-
<b>Total (Exc. VAT)</b>	<b>£478,400</b>	<b>£475,983</b>

# Our fee estimate (continued)

## 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 audits for the Council to begin with effect from 2023-24. The scale fee set out in the PSAA contract for the 2025-26 audit is £475,893.

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 on VFM arrangements for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft Audit Plan report to the 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.

# 12. Independence considerations

As we are Statutory Auditors of the Council in the United Kingdom (“UK”), we are required to follow International Standard on Auditing (UK) 260 and the Ethical Standard 2024 issued by the UK Financial Reporting Council (the “FRC Ethical Standard” or “The Standard”).

We have determined that Kirklees Council is a public interest entity and therefore the relevant requirements of the FRC Ethical Standard have been applied and have been included in this letter. 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).

All the above referenced Standards require that we communicate at least annually with you regarding all relationships between Grant Thornton UK LLP in the UK (“Grant Thornton UK”) and other Grant Thornton firms and associated entities (“Grant Thornton”) and covered persons (as defined in the FRC Ethical Standard) and the Council, its senior leadership and senior management and its affiliates (“the Authority”) that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity. In this context, we confirm there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard. 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. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view.

The firm and each covered person 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. Furthermore, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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.

# 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 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 or investments in the Council 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 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.
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's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

## Non-audit fees

- A schedule of our fees and non-audit services is set out further in this report, including an assessment of any perceived or actual threats to our independence and, where relevant, safeguards applied
- Once the Financial Reporting Council's Ethical Standard is applied to the fourth accounting period, the permitted level of non-audit fees for that period cannot exceed 70% of the audit fee (ES4.15). Based on the current fees this would not have an impact on the non-audit services that we would be able to provide to you.

External audit fee	Total fees for grants assurance services	Grants assurance service fees as a percentage of the audit fee
£475,983	£61,038	12.8%

# Fees and non-audit services

The following tables set out non-audit services charged from the beginning of the financial year to the date of issue of this Audit Plan, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services listed below are overleaf are consistent with the Council’s policy on the allotment of non-audit work to your auditor and 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 providing services to Kirklees 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. We confirm that the fees from non-audit services subject to cap do not exceed 70% of the audit fee.

## Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits claim 2024-25	35,058 (base fee)	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 base fee for this work is £35,058 in comparison to the total fee for the audit of £475,983 and in particular relative to Grant Thornton UK 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.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the form MPF720A submission and are carrying out work on the information submitted to the Department for Work and Pensions (DWP) by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to DWP)	We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time. If any amendments need to be made to form MPF720A as a result of the reporting accountant's work, these will be discussed and agreed with the member of informed management who is authorised by the Service Director Finance to make these amendments. Amendments to the form can only be made by local authority staff and are initialled by the authorised signatory (Service Director Finance (s151)). We agree the factual accuracy of our findings with a member of informed management before issuing it to the DWP. We are satisfied from previous experience that the purpose of our testing and the potential impact of our findings on the form is understood by a member of informed management.

# Fees and non-audit services (continued)

## Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of the Pooling of Housing Capital receipts 25-26	10,000	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 £10,000 in comparison to the total fee for the audit of £475,983 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.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the submission and are carrying out work on the information submitted to MHCLG by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to MHCLG)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by MHCLG and on its completion issue a report of factual findings. The local authority and MHCLG form their own conclusions on the report. The report is restricted to those parties who have agreed to the procedures to be performed (being the local authority and MHCLG).

# Fees and non-audit services (continued)

## Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers' Pensions return 25-26	12,500	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 is £12,500 in comparison to the total fee for the audit of £475,983 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.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to Teachers' Pensions)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by Teachers' Pensions and on its completion issue a report of factual findings. We will agree any amendments and factual findings with the Council's Responsible Finance Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. The Council's finance managers will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to Teachers' Pensions.

# Fees and non-audit services (continued)

## Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Initial Teacher Training grant 24-25	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 is £3,500 in comparison to the total fee for the audit of £475,983 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.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to the Department for Education)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by Department for Education and on its completion issue a report of factual findings. We will discuss any amendments and factual findings with the Council's Responsible Finance Officer as a member of informed management. The Council's finance managers will make their own decisions whether to amend for any errors identified and the local authority and the DfE form their own conclusions on the report.

We will update our Audit Findings (ISA260) report due November 2026 for any additional grant assurance services that commence subsequent to the date of this Audit Plan.

# 13. 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 of the firm and senior engagement team members	●	●
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 including support measures when making the going concern assessment	●	●

Our communication plan	Audit Plan	Audit Findings
Other matters that are significant to the oversight of the financial reporting process		●
Confirmation of independence of external experts or other auditors used as part of the audit		●
Valuation methods employed and impact of changes to methods		●
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		●
Confirm all requested explanation and documents have been provided		●
Distribution of tasks amongst auditors where more than one auditor has been appointed		●
Identify work performed by component auditors outside of the GTIL network in relation to consolidated financial statements		●
Scope of consolidation and compliance with financial reporting framework		●
Expected modifications to the auditor's report, or emphasis of matter		●

# Communication of audit matters with those charged with governance (continued)

Our communication plan	Audit Plan	Audit Findings
Key audit partners involved in the audit		●
Views about the qualitative aspects of the Council’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Methodology used to perform the current year’s audit and details of any substantial variation between system and compliance testing from the previous year		●
Quantitative level of materiality determined and qualitative factors considers in its determination		●
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 and whether that deficiency has been resolved by management		●
Significant matters arising in connection with related parties		●

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 (ISA260) Report 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.

# 14. Financial reporting changes

## Changes to the CIPFA Code of practice on local authority accounting for 2025-26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

## New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

### Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for 2026-27.

### 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 (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for 2026-27.

### 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 comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- 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 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from 2027-28.

# Appendix – Letter to Chair of Corporate Governance and Audit Committee

# Letter regarding 2025-26 audit timelines

4 March 2026

Dear Cllr Taylor

Copied to: Kevin Mulvaney S151 Officer

## **Proposals for the annual accounts and external audit timeframes from 2026 onwards**

Ahead of us starting our work on your 2025-26 Accounts, we wanted to send you a letter to set out our plans for your audit timelines over the course of the next two years and what we will need from you as an Authority as part of these plans.

As I am sure you are aware, on 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026;
- For years ended 31 March 2026 by 31 January 2027; and
- For years ended 31 March 2027 by 30 November 2027.

The statutory instrument is supported by the National Audit Office's (NAO) 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.

As you know, Kirklees Council has always received a full, unqualified 'clean' audit opinion prior to any backstop dates. Whilst this places the Council in a good place compared to a number of local authorities who are dealing with backstopped, disclaimed opinions, the audit has been completed in the January / February period in recent years. It will be important that the Council works together with us to bring forward completion of the audit.

To be able to achieve the targets for the next two financial years, as a firm we are looking to put things in place to enable us to achieve the end of November 2027 deadline. In order to help make this achievable, we are going to undertake a 'dry run' of finishing our work on the 2025-26 Accounts by the end of November 2026. We would note that the NAO has already set a requirement that our Value for Money (VfM) work is completed by 30 November each year which has been set to align with the upcoming 30 November accounts deadline.

One area which we see as crucial to supporting a November completion date is to make increased use of our planning and interim audit work. We are seeking to perform an enhanced interim audit involving early, advanced sample testing on a number of areas by the end of April 2026. We will be liaising with the finance team to support audit testing of transactions in the first nine to ten months of the financial year. This should reduce the level of detailed transactional testing from the year-end audit work in the Summer and Autumn.

(cont.)

# Letter regarding 2025-26 audit timelines (cont.)

We are aiming to start our work on your accounts from the end of June 2026, following receipt of the Council's draft accounts. We are committed to working closely with finance colleagues from the commencement of our audit and throughout, with weekly meetings expected to take place to monitor progress and achievement against key milestones, through to November's Audit Committee.

This plan should allow us as a firm to deliver all of our 2025-26 Local Government audits by the end of November 2026, which will then put us in a strong position ahead of the backstop formally moving to the end of November 2027. We appreciate this will require a change on how both sides will need to work to make this a reality, but we are committed to making this happen.

We have undertaken early engagement with your finance team to clearly set out our expectations and what is needed to make a success of these plans. MHCLG have asked us as a firm to report by 31 July 2026, on a case by case basis, our assessment of the Council's ability to both maintain and where necessary rebuild assurance. Having a clear and agreed project plan to complete all financial statements and VFM work by 30 November 2026 is a key part of this assurance.

If you have any queries or questions, then do not hesitate to let us know.

Yours sincerely

**Gareth Mills**

**Key Audit Partner & Engagement Lead for Kirklees Council**



© 2026 Grant Thornton UK LLP. All rights reserved.

Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank



**REPORT TITLE: INTERNAL AUDIT: CHARTER, STRATEGY & PLAN FOR 2026/27**

<b>Meeting:</b>	<b>Corporate Governance &amp; Audit Committee</b>
<b>Date:</b>	<b>24 April 2026</b>
<b>Cabinet Member</b> (if applicable)	<b>Not applicable</b>
<b>Key Decision Eligible for Call In</b>	<b>No No – Information report</b>
<p><b>Purpose of Report</b> To request approval of the Internal Audit Charter and Strategy, and an Internal Audit Plan for 2026/27 (Formal for the first half year; informally for the second half).</p>	
<p><b>Recommendations</b></p> <ul style="list-style-type: none"> <li>• The Internal Audit Charter and Audit Strategy be approved (noting the areas where the council’s arrangements might be assessed as not fully compliant).</li> <li>• The proposed audit plan for 2026/27 (April to September 2026/ draft October 2026 to March 2027) be approved.</li> <li>• The Committee notes the resourcing position and determines any further information that they require and actions that they may wish to take.</li> <li>• The Committee notes that the Head of Risk &amp; Internal Audit will make changes to the Audit Plan as he considers reasonable, reflecting the needs of the organisation, subject to this being reported back to this Committee.</li> </ul> <p><b>Reasons for Recommendations</b></p> <ul style="list-style-type: none"> <li>• The Internal Audit Charter and Strategy document is in fulfilment of the requirements of the Institute of Internal Auditors Global Internal Audit Standards and the UK Public Sector application note.</li> <li>• A risk-based audit plan is necessary to achieve maximum assurance from a limited level of resource.</li> </ul>	
<p><b>Resource Implications:</b></p> <ul style="list-style-type: none"> <li>• It is anticipated that the proposed internal audit plan can be delivered within the envisaged resource availability (subject to successful recruitment).</li> </ul>	
<p><b>Date signed off by Strategic Director &amp; name.</b></p> <p><b>Is it also signed off by the Service Director for Finance?</b></p> <p><b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b></p>	<p>Not applicable</p>

**Electoral wards affected: all**

**Ward councillors consulted:** none

**Public or private:** public

**Has GDPR been considered?** yes

## **1. Executive Summary**

The Council has an internal audit function led by the Head of Risk and Internal Audit, who reports for governance purposes to the Corporate Governance & Audit Committee. The regulatory regime for internal audit, (as established by the Institute of Internal Auditors Global Internal Audit Standards and UK public sector application note, fully revised in 2025) requires the approval of an Internal Audit Charter and Strategy which are included in this report.

Each year it is necessary to identify how internal audit resources will be deployed. It is now considered good practice to determine an audit plan for half a year, based on a risk assessment. The report sets out resource availability and how this may impact on the level of assurance that can be provided.

## **2. Information required to take a decision**

2.1 Internal Audit is a statutory obligation for local authorities and exists to provide independent assurance about the business processes of the Council.

2.2 Internal Audit work is designed to provide assurance through following a programme of work designed to give coverage across the organisations areas of risk.

### Internal Audit Charter and Strategy and the Global Internal Audit Standards

2.3 The Institute of Internal Auditors (IIA), publishes international standards for internal audit called the Global Internal Audit Standards (GIAS), with changes added by the UK government in some areas, by way of a UK public sector application note. There are a small number of areas covered by “topical requirements”, with a starting presumption that the audit scope will address all areas identified in a preset list, although it is permissible to specifically determine not to cover items identified. (Cyber Security, Third Party Reliance, Organisational Behaviour)

2.4 The GIAS standards set out a standard to which a very large directly provided internal audit function should aspire, although the IIA accept that some of the control arrangements set out in the GIAS standards are not proportionate for smaller IA functions.

2.5 The GIAS is explicit about a desire for the Head of Internal Audit to have a pure approach, and not to have their role fettered by other responsibilities, and specifically that where the Head of Internal Audit does have other roles, the internal audit assurance function is done by others. As the Strategy sets out the highest risk area for which the Head of Risk has responsibility- insurance funds- is already subject to external review audit by the council’s insurer. The approach to other internal audit assurance assignments where the Head of Audit is “manager”, is for the audit manager to report for compliance purposes to the service director. It is suggested that this is the most practical arrangement to continue, though in purity this will be non-compliant

2.6 The Council is required under the GIAS standards to establish an Internal Audit Charter and Internal Audit Strategy. (appendix 1 and 2). Save for minor editorial changes, there are no amendments in the proposed version this year.

### Audit Planning & Resourcing 2026/27

2.7 The resources available to internal audit are quite limited. Whilst a management vacancy was successfully filled (internally), and vacancies were advertised through 2025/26 only

one suitable candidate was been identified and appointed, and during 2026/27 one team member is likely to be absent through maternity leave. Attempts are being made to recruit both substantively and temporarily, and at Apprentice level, which will enable some degree of reallocation of duties, offering greater resources available for assurance. The Council is also committed to providing audit work for West Yorkshire Fire & Rescue Authority and Kirklees Active Leisure. They pay for the work they receive and so it is important that resources are available for this requirement.

- 2.8 Current staffing means that availability of staff to carry out audit tasks for the council for the half a year is as shown below:  
There 6 audit staff (3.5 f.t.e. (full time equivalent) staff available to carry out the routine risk-based assurance work in the KMC audit plan. Depending on the recruitment it should rise to circa 5 f.t.e. during the first half of the year.
- 2.9 In addition, the risk-based assurance work needs to be supplemented by time to review and authorise grant claims on behalf of government departments, West Yorkshire Mayoral Combined Authority (WYMCA) and other organisations, Time is also retained as a contingency for unexpected urgent work. There is also some time used for dealing with general advice (of an audit and assurance nature), other tasks such as contractor evaluation and contract advice and assistance. Whilst these do not fall within the definition of consultancy work, or other work, this does help the organisation to achieve a higher level of broad internal control and assurance.
- 2.10 This report sets out in appendix 3 the key areas of operational activity that are considered to be in scope for assurance activity. In addition, the organisations corporate risk matrices should identify areas of potential concern, which should be subject to review, but these alone cannot alone provide areas for internal audit review, as core systems require assessment of reliability in a way which may not be obvious from a strategic corporate risk assessment.
- 2.11 Internal Audit have identified areas of risk with an assessment between high, medium and low risks, that have not been reviewed for some time, from the schedule of risk areas shown in appendix 3 and these have been included alongside a selection of areas of activity that management have indicated they consider would help meet the needs of the organisation. The combination of these items should produce a balanced programme that meets the needs for assurance, and also as a potential aid to management and decisions to be taken. It is important that every aspect of the council's operations remain in view of internal audit (otherwise this is suggesting that some areas are specifically "outside" of the view of internal audit, with governance consequence). The areas to be audited are both "Strategic" (about financial and business controls at an entity level) and "Operational", including schools and some facilities, sub section parts of the councils overall business, especially where a feature of operation creates a higher element of risk (e.g. cash, small teams controlling high value transactions, or past incidents such a s theft)
- 2.12 Whilst audit plans were once prepared annually, the changing needs of the organisation, and risk assessment, together with limited resources, have led some organisations to have no formal plan, with all decisions on work delegated to the Head of Audit. This is not recommended. To share control, Appendix 4 contains a proposed Audit Plan for the first half of 2026/27; and Appendix 4A contains an indicative Plan for the second half of 2026/2. To retain some flexibility, there needs to be scope to move audit projects around, both to reflect urgent needs of the organisation and staffing and skill levels. Accordingly, some flexibility for the Head of Risk & Internal Audit to make changes to the plan need to be available.
- 2.13 The proposed audit plan- of 57 pieces across the year (24 pieces in Spring /Summer 2026, and 33 pieces in Autumn/Winter 2026/27 ) includes a combination of assurance based around core financial systems, other important financial systems, other business control systems, and other operational arrangements, The proposed work should enable

the Head of Internal Audit to provide assurance at the year-end about the quality of the organisations systems of internal control, etc. There may be a requirement for follow up audits additionally -usually where there is limited assurance and review is needed of progress on promised actions-. There are some other tasks additional to the planned audit work. The proposed audit plan has been discussed with Executive Leadership Team, as expected by the GIAS.

#### Performance Standards & Quality Assessments

- 2.14 During 2025/26 Interna Audit has provided information about work undertaken during the year and follow up information on progress on all previous pieces of work (where recommendations were issued)(except schools- only followed up where control arrangements provide limited assurance). This arrangement will continue in 2026/27 (with the follow up reported at Q2 and Q4 only)
- 2.15 The new GIAS continues to expect that internal audit has established targets for and monitoring of its performance. The suggested monitoring targets are set out in Appendix 5. The standard also continues to require regular internal assessments of compliance and quality of operations (typically annually), and a 5 yearly external assessment to be carried out by a competent person. The previous KMC review was in 2022/3, so is next required in 2027/8; the new standard requires assessment of the competence and effectiveness of governance arrangement- i.e., this committee.  
An internal assessment is currently being carried out. This will assess the bridging position between the old and new requirements of the GIAS and will be reported as a part of the Annual Internal Audit Report for 2025/26, to the June 2026 meeting.

#### Fraud Work

- 2.16 There is an expectation under the GIAS that internal auditors have an awareness of fraud risk, and test as a part of routine audit assurance work that fraud risk is identified, understood and addressed, with recommendations made as appropriate. Linked to this is a practice that suspected internal fraud, or that by contractors, is addressed through internal audit work. External fraud risk (from clients and customers) is executed through the councils dedicated fraud team. In the past this has been distinct and separate, and largely remains so, but the common management does now enable additional assurance-based learning about fraud risk and potential system changes.

### **3. Implications for the Council**

Having an effective internal audit function, as a part of a strong assurance and governance framework is important for the Council. As resources are limited it is important that the deployment or resources is effective.

#### **3.1 Working with People**

No directly applicable.

#### **3.2 Working with Partners**

No directly applicable.

#### **3.3 Place Based Working**

No directly applicable.

#### **3.4 Climate Change and Air Quality**

No directly applicable.

#### **3.5 Improving outcomes for children**

No directly applicable.

**3.6 Financial Implications**

Refers in part to improving strategic and operational financial controls. The current cost of internal audit services to the council is approximately £410,000 (including overheads).

**3.7 Legal Implications**

No directly applicable.

**3.8 Other (e.g. Risk, Integrated Impact Assessment or Human Resources)**

Implementation of audit recommendations should improve overall control arrangements and promote good governance. An absence of adequate resources for internal audit impacts on the degree of assurance that can be provided.

**4. Consultation**

There have been discussions with Executive Leadership Team (ELT) and Service directors in preparing the proposed audit plan.

**5. Engagement**

ELT have seen and are aware of the content of this report

**6. Options**

An Audit Plan is required; There are multiple options for the contents of the Plan. Some potential alternatives are described in the text to the report.

**7. Next steps and timelines**

Delivery of the Audit Plan

**8. Contact officer**

Martin Dearnley Head of Audit & Risk.

**9. Background Papers and History of Decisions**

None.

**10. Appendices**

Appendix 1 Audit Charter & Mandate

Appendix 2 Audit Strategy

Appendix 3 Risk areas in scope for audit activity

Appendix 4 Audit Plan April to Sept 2026: October 2026 to March 2027 (Provisional)

Appendix 5 Proposed audit performance standards 2026/27

**11. Service Director responsible**

The Head of Risk & Internal Audit holds responsibility for the planning, operation and reporting by Internal Audit.

The statutory officers with a responsibility for overseeing the internal audit function are  
Samantha Lawton Service Director of Legal Governances & Commissioning  
Kevin Mulvaney Service Director of Finance



# **Kirklees Council**

## **Internal Audit Charter and Mandate**

**April 2026**

# Internal Audit Charter for Kirklees Council

## 1. Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the Council, its Corporate Governance & Audit Committee (CGAC) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Council's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with stakeholders.
- Ability to serve the public interest.

An internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with accredited standards.
- The internal audit function is independently positioned with direct accountability to Board (in this case Corporate Governance & Audit Committee, and the Executive Leadership Team)
- Internal auditors are free from undue influence and committed to making objective assessments.

### ***Commitment to Adhering to the IIA Global Internal Audit Standards***

Kirklees Council's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework. The Head of Audit & Risk will report annually to the CGAC and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## 2. Mandate

The Accounts & Audit Regulations 2015 require that at (5(1)

"Every relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance."

Kirklees Internal Audit role is established in Financial Procedure Rule 5 (appendix 1)

### *Authority*

Kirklees Council has given the internal audit function the mandate to provide the Corporate Governance & Audit Committee and senior management with objective assurance, advice, insight, and foresight.

The Council authorises the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to fulfilling internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.

The Corporate Governance & Audit Committee will:

- Allocate resources+, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish Internal Audit objectives.  
(+ allocation of resources is a council responsibility)
- Obtain -if necessary- assistance and other specialised services from within or outside the Council to complete internal audit services.

### ***Independence, Organisational Position, and Reporting Relationships***

The Head of Audit & Risk is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without intervention from senior management, enabling independence of the internal audit function. The Head of Audit & Risk will report functionally to the Corporate Governance & Audit Committee (CGAC) and administratively (for example, day-to-day operations) to the Director of Legal Governance & Commissioning. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the CGAC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Head of Audit & Risk will confirm to CGAC, at least annually, the organisational independence of the internal audit function. If the governance structure does not support organisational independence, the Head of Audit & Risk will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Head of Audit & Risk will disclose to CGAC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the Head of Audit & Risk, CGAC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the IIA Global Internal Audit Standards.
- Significant changes in roles and responsibilities of the CGAC, and/or senior management.

- Significant changes to the organisation's strategies, objectives, reorganisations, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.
- Change in the role (or tenure) of the Head of Audit & Risk.

### **3. Corporate Governance & Audit Committee (CGAC) Oversight**

To establish, maintain, and ensure that Kirklees Council's internal audit function has sufficient authority to fulfil its duties, the CGAC will:

- Discuss with the Head of Audit & Risk and senior management the authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Ensure the Head of Audit & Risk has unrestricted access to, communicates, and interacts directly with them, including in private meetings without senior management present.
- Discuss with the Head of Audit & Risk and senior management any other topics that should be included in the internal audit charter.
- Participate in discussions with the Head of Audit & Risk and senior management about the essential conditions, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function's Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review and approve the internal audit Charter annually with the Head of Audit & Risk to consider any changes affecting the organisation, or changes in the type, severity, and interdependencies of risks to the organisation.
- Approve the risk-based internal audit plan.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a Head of Audit & Risk,
- Review the Head of Audit & Risk's performance.
- Receive communications from the Head of Audit & Risk about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement programme has been established and review of the results of the quality assurance and improvement program annually.
- Make enquiries of management and the Head of Audit & Risk to determine whether scope or resource limitations are appropriate.

## 4. Head of Audit & Risk Roles and Responsibilities

### *Ethics and Professionalism*

The Head of Audit & Risk will ensure that internal auditors:

- Conform with the IIA Global Internal Audit Standards and any other UK public sector obligations, including the principles of ethics and professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### **Objectivity**

The Head of Audit & Risk will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement, selection, scope, procedures, frequency, timing, and communication. If the Head of Audit & Risk determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Kirklees Council.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Kirklees employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

<p><b>Disclosure: The Head of Audit and Risk has a wider range of responsibilities than management and leadership of the internal audit function. This is set out in detail in Appendix 2, alongside the mitigation that apply. One member of internal audit staff routinely carries out accounting tasks as a part of professional development. The Senior Risk Officer also carries out some internal audit related tasks appropriate to her role.</b></p>
--

Internal auditors will:

- Disclose general impairments of independence or objectivity, in fact or appearance, at least annually, and as arising, to the Head of Audit & Risk.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Managing the Internal Audit Function***

The Head of Audit & Risk will:

- At least annually, submit a risk-based internal audit plan to senior management for review and to the CGAC for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to senior management and to the CGAC
- Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls.
- Communicate with senior management and the CGAC if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the IIA Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to senior management and to the CGAC quarterly for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the IIA Global Internal Audit Standards and fulfil the internal audit mandate.
- Identify and consider trends and emerging issues that could impact on the Council and communicate to senior management and to the CGAC as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit Charter or the IIA Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to senior management and the CGAC.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Head of Audit & Risk cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the CGAC.

### ***Communication with the Board and Senior Management***

The Head of Audit & Risk will report annually to the CGAC and senior management regarding:

- The internal audit function's mandate.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Resource availability
- The internal audit plan
- The internal audit performance relative to its plan.

and produce an Annual Report of Internal Audit setting out an assessment of the activities and outcomes from internal audit work, any issues around resourcing, performance, independence, trends and issues of wider significance identified in internal audit work, thus generating an assurance statement about the Council's arrangements for governance, risk, control, regularity and compliance, value, efficiency and effectiveness in the achievement of objectives.

The Head of Audit & Risk will report quarterly to senior management and the CGAC regarding:

- The (in quarter) internal audit plan and performance relative to its plan.
- Significant revisions to the internal audit plan
- Potential impairments to independence, including relevant disclosures as applicable.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's normal risk appetite.

### ***Quality Assurance and Improvement Program***

The Head of Audit & Risk will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the IIA Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or

regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the Head of Audit & Risk will communicate with senior management and the CGAC about the internal audit function's quality assurance and improvement programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.

## **5. Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of the organisation, including all of Council's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to management and the CGAC on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
- The actions of the Council's officers, directors, management, employees, and contractors comply with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is dependable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

### **NOTE**

Reference in this document to IIA Global Internal Audit Standards includes also any requirements established by the UK Public Sector Internal Audit Standards, and the additional obligations identified by CIPFA for UK local authorities and apply to UK public bodies from April 2025

## Approval/Signatures

---

Head of Audit & Risk

---

Date

---

CGAC Chair

---

Date

---

Chief Executive Officer

---

Date

## APPENDIX 1 (extract of Financial Procedure Rules- 2026)

### 5. **INTERNAL AUDIT**

#### **Responsibility & Authority**

5.1 The Chief Executive, (in consultation with the Chief Finance Officer and Monitoring Officer) must arrange a continuous internal audit, which is an independent review of the accounting, financial and other operations of the Council.

5.2 The Head of Audit & Risk will report directly to the Chief Executive, the Chair of the Corporate Governance & Audit Committee, or the External Auditor in any circumstance where the functions and responsibilities of the Chief Finance Officer are being reviewed. (Other than routine reporting of work carried out)

5.3 The Head of Audit & Risk has authority to

Enter at all times any Council premises or land or location from which Council services are provided. Have access to all property, records, documents, and correspondence relating to all activities of the Council.

Require and receive explanations concerning any matter; and

Require any employee of the Council, without prior notice, to produce cash, stores, or any other property for which they are responsible.

Require any Director to ensure that within 5 working days' notice (or such other time as might be agreed by the Head of Audit & Risk)

(i) to ensure sufficient resource by way of time or otherwise, that an adequate response by employees of the service to any request for information,

and, or

(ii) any employee attends a meeting at any location (within the Kirklees area,) chosen by the Head of Audit & Risk

and or

(iii) the provision of any information, data, records, currently held in any media format be provided that that format, or in any other reasonable format chosen by the Head of Audit & Risk, and as appropriate delivered to a location chosen by the Head of Audit & Risk

and

(iv) to be accountable to the Corporate Governance & Audit Committee should they fail to act

The Chief Finance Officer has the same authority for any accounting or associated purpose.

For the purposes of FPR 5, the Head of Audit & Risk may delegate the rights of access to premises, information, explanation etc. to any employee or agent of the council (albeit this will normally be staff within the Internal Audit or Fraud team)

#### **Planning & Reporting**

5.4 The Head of Audit & Risk must plan and report (in accordance with the approved Audit Strategy and Charter, Public Sector Internal Audit Standards, and any instruction from the Councils Corporate Governance & Audit Committee) upon

The risks inherent in and associated with each system.

The soundness, adequacy and application of the financial and other management controls and systems within each Service

The extent of compliance with, and the financial effects of, established policies, plans and procedures.

The extent to which the organisation's assets and interests are accounted for and safeguarded from losses of all kinds arising from fraud, other offences, waste, extravagance and inefficient administration, poor value for money and other cause.

The suitability, accuracy, and reliability of financial and other management data within the organisation; and

Value for money aspects of service provision.

5.5 In respect of any audit report or communication issued, the Director must reply within 4 weeks indicating the action proposed or taken, by whom and including target dates. Where a draft report is issued for initial comments, a reply must be made within 2 weeks of issue.

5.6 The Head of Audit & Risk will provide a written summary of the activities of the Internal Audit function to the Corporate Governance & Audit Committee at least four times per year and an Annual Report produced for consideration by, Cabinet and Corporate Governance & Audit Committee, including an audit opinion on the adequacy and effectiveness of the Council's risk management systems and internal control environment.

The Head of Audit & Risk will review the system of internal audit on an annual basis (and arrange for an external assessment once every 5 years) and report the outcome to the Corporate Governance & Audit Committee.

#### **Investigations and Suspected Fraud, Corruption or Bribery.**

5.7 The Chief Executive and Directors must ensure that all Members and employees are.

Aware of the Council's Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy

Aware of the Whistleblowing Strategy; and

Operating in a way that maximises internal check against inappropriate behaviour.

The Head of Audit & Risk is responsible for the development and maintenance of the Anti-Fraud, Anti-Corruption and Anti Bribery Strategy and Whistleblowing Strategy and for directing the Council's efforts in fraud investigation.

5.8 It is the duty of any officer who suspects or becomes aware of any matter which may involve loss or irregularity concerning cash, stores or other property of the Council or any suspected irregularity in the operations or exercise of the functions of the Council to immediately advise the Director. The Director concerned must immediately notify the Head of Audit & Risk who may take action by way of investigation and report.

5.9 Where, following investigation, the Head of Audit & Risk considers that there are reasonable grounds for suspecting that a loss has occurred as a result of misappropriation, irregular expenditure or fraud, consultations will be held with the Director on the relevant courses of action, including the possibility of police involvement and the invoking of any internal disciplinary procedure in accordance with the relevant conditions of service.

## APPENDIX 2

### **Disclosure of Conflicts of Interest, and Arrangements to Ensure Objectivity**

Section 4:

“The Head of Audit and Risk has a wide range of responsibilities than management and leadership of the internal audit function. This is set out in detail in Appendix 2, alongside the mitigation that apply. One member of internal audit staff routinely carries out accounting tasks as a part of professional development. The Senior Risk Officer also carries out some internal audit related tasks appropriate to her role.”

1. The Head of Audit and Risk has a wider range of responsibilities than acting solely as the head of internal audit, as the IIA Global Internal Audit Standard prefers as the default position. The Kirklees Head of Audit and Risk also:
  - (a) Act as the manager for the following:
    - i) The insurance function
    - ii) The corporate and children’s complaint’s function #
    - iii) Information governance #
    - iv) The risk management function
    - v) Fraud prevention and investigation

The role in areas (i) to (iii) is that of leadership only; there is more active involvement in risk management and fraud prevention, which is closely related to internal audit and assurance for the organisation.(# may change 2026/27)
  - (b) Provides advice for some complex projects (in relation to finance, risk etc.)
  - (c) Provides commercial advice for charities where the council is corporate trustee or otherwise involved. (# may change 2026/27)
2. These risks are mitigated by.
  - i. The councils’ insurers arrange independent auditing of the council’s insurance arrangements that impact on their exposure to risk (based on the council’s insurance having excesses, stop loss cover and delegated authority to process claims).
  - ii. Other aspects of auditing of insurance, corporate complaints, complex projects, or corporate risk management is reported directly by the audit manager through to the Director of Legal, Governance and Commissioning.
3. Given the essential links between the risk management and audit functions, any auditing of operational and service risk management is conducted as routine audit activity. Any audit work conducted by the Senior Risk Officer is within this area of scope.
4. The audit employee who works routinely in the accounting function for professional development reasons does not carry out any audit work on areas where he has had active involvement.
5. The Internal Audit function also conducts routine work on processing Freedom of Information requests, and assessment of the financial status of potential contractors and other organisation. This work is not considered to conflict or require mitigation.

**KIRKLEES COUNCIL(APX3)**

**AREAS OF RISK THAT ARE CONSIDERED TO BE WITHIN SCOPE OF AUDIT ACTIVITY**

Listed below are areas of risk that are considered to be in scope for internal audit activity

These set out the principal areas of risk.

In addition, any location or operation centre should be considered in scope for an occasional visit or review.

**KEY CORPORATE SYSTEMS 2026/27**

**Financial Systems & Controls**

Payroll (SAP) Debtors (SAP) Procurement / Creditors (SAP) Council Tax Business Rates Housing Rents (CX)
Part or whole of this activity should be subject to internal audit review each year

Council Tax Reduction Scheme (residual Benefits) Treasury Management Payments for Adult Social Care Payment for Childrens Social Care School Payments Capital Investment
Part or whole of this activity should be subject to internal audit review every 2 – 3 years

Housing Management (CX) Adult Social Care (M) Children’s Social care (LL)
Part activity should be subject to internal audit review every 2 – 3 years, although individual client files will not be routinely reviewed

Other control systems (various)
System reviews based on audit topics activity -typical frequency less that every 3 years

**Key Corporate Organisation & Business Controls**

Code of Corporate Governance Contract Procedure Rules Financial Procedure Rules Contract Management HR Operations Risk Management IT Controls Performance Management Systems Partnership Governance Emergency & Business Continuity Planning Information Security Health & Safety Fraud, Bribery & Corruption Risk Corporate Complaints Whistleblowing
These areas would typically be subject to review-as corporate oversight, or at Directorate /Service level- every 2 or 3 years

**Schools**

Applies to all community schools.
These areas would typically be subject to review every 3 years-although the current frequency is less to enable limited resource to be allocated elsewhere. Those with a deficit budget or other governance issues will be given priority

**PROPOSED AUDIT PLAN 2026/27 Q1/Q2**

**APX 4**

<u>Directorate</u>	<u>Audit</u>	<u>Assurance Type</u>	<u>Notes/ Scope</u>
<b>Public Health &amp; Corporate Resources</b>			
	Direct Debit Income*	Financial	Q1
	National Fraud Initiative 2026/27	Financial & Business	Q2input
	Council Tax Administration	Financial	Q2
	Free School Meals Assessment & Funding	Financial	Q1
	Information Governance Toolkit	Business	Q1
	Civic Silver	Business	Q1 Q2
	Employee Gifts & Hospitality	Business	Q2
	Off Payroll Payments	Business	Q1
<b>Children &amp; Families</b>			
	Commissioning*	Financial	Q2
	Purchasing Cards	Financial	Q2
	Section 17 Support	Financial	Q1
	Primary Schools (4)	Financial	Q1/Q2
<b>Place</b>			
	PPP Schools Contract *	Financial	Q1
	Housing Voids Management *	Financial	Q2
	Sale of Land	Financial	Q1
	Taxi Licensing	Business	Q2
	Urban Traffic Control Repair & Maintenance	Financial	Q2
	Trade Waste	Financial	Q1

	Transport Stores & Procurement	Financial	Q2
	Leaseholder Services Charges	Financial	Q1
<b>Adult &amp; Health</b>			
	Power of Attorney- Pensions & Benefit Income	Financial	Q2
	No Recourse to Public Funds	Financial	Q1
<b>Follow Up audit(s)</b>	As required		
<b>General</b>			
WYCA & other grants	As necessary #		As specified by regime
Investigations	As necessary		Case specific

(\*) Items brought forward from 25/26 Plan

**PROPOSED AUDIT PLAN 2026/27 Q3 & Q4 PROVISIONAL**

**(APPX 4A)**

<u>Directorate</u>	<u>Audit</u>	<u>Assurance Type</u>	<u>Notes/ Scope</u>
<b>Public Health &amp; Corporate Resources</b>			
	IT service interruption / disaster recovery *	Business	Q4
	National Fraud Initiative 2026/27	Financial & Business	Q3 output
	National Fraud Initiative Single Person Discount	Financial	Q3 Mandatory annual data matching
	Housing Benefit Processing	Financial	Q3
	Treasury Management	Financial	Q3
	Business Rates Administration	Financial	Q4
	Income Management System	Financial	Q3
	Agency Labour Contract management	Financial	Q4
	Kirklees Major Incident Plan	Business	Q4
	Sexual Health Contract Management	Financial	Q3
	Software Licensing	Financial	Q3 provisional
	IT Contract & Supplier Management	Financial	Q3 provisional
<b>Children &amp; Families</b>			
	School Absence*	Business	Q3
	Leaving Care Financial Support	Financial	Q4
	High Schools (2)	Financial	Q4 All Saints & Netherhall
	Primary Schools (2)	Financial	Q3Q4
	Special School Funding & Allocation	Financial	Q3

<b>Place</b>			
	Rent Standard Review	Business	Q4
	Non-domestic Property Repairs & Maintenance	Financial	Q3
	Highway Maintenance	Financial	Q4
	Greenspace Action Team	Business	Q3
	Right to Buy (& Scope for fraud)	Financial	Q4
	Car Parking	Business	Q4
	Property Services Stores	Financial	Q4
	Property Services Materials & Equipment Procurement	Financial	Q3
<b>Adult &amp; Health</b>			
	Child Transition to Adulthood *	Financial	Q3
	Hospital Pathways*	Financial	Q3
	Assessed Client Contributions & recovery	Financial	Q4
	Assessment of Care Need	Financial	Q4
	Better Care Fund @	Financial	Q4
<b>Follow Up audit(s)</b>	As required		
<b>General</b>			
WYCA & other grants	As necessary #		As specified by regime
Investigations	As necessary		Case specific

(\*) Items brought forward from 25/26 Plan

(@) There is some uncertainty about how BCF will work in future due to ICB changes

**PROPOSED INTERNAL AUDIT PERFORMANCE STANDARDS 2026/27 APX5**

<b><u>Objectives</u></b>	<b><u>Performance Measures</u></b>
<b>IA performance</b>	
Achieve planned audit work as adjusted	80% of planned audits achieved
Achieve each planned audit within budgeted time allowed.	80% of planned work achieved within initial time budget
Delivery of completed audit work	85% of draft reports issued within 10 days of completion of site work
<b>Assurance performance</b>	
Assurance target	Less than 30% of audits as limited assurance
Implementation of Recommendations	More than 90% of fundamental assurance recommendations implemented by agreed date. More than 75% of significant assurance recommendations implemented by agreed date.

This page is intentionally left blank