Audit Findings (ISA 260) Report for Kirklees Council

Year ended 31 March 2020

8 January 2021

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Kirklees Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the group and Council. Areas of Kirklees have endured a high transmission rate of the Covid-19 pandemic and the Council has responded by diverting staff towards dealing with front line services such as adult and social care needs. There have been significant financial challenges as the Council responded to the COVID-19 pandemic through additional costs to support operational services, lost income through reduced trading activity and some cessation of services. In addition, council tax payments and business rates payments reduced as lock down started, businesses closed, and staff furloughed. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	We updated our audit risk assessment to consider the impact of the pandemic on our audit and our Audit Plan included a financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6. Restrictions for non-essential travel has meant both Council finance staff and audit staff have had to work remotely throughout the period of the year end audit which created audit challenges such as remotely accessing financial systems, video calling, physical verification of assets and ensuring the completeness and accuracy of information produced by the entity. Management initially intended to provide draft accounts for audit on 30 June 2020. Despite not meeting this target date, draft accounts were presented for audit on 31 July, a month ahead of the extended deadline which is an achievement given the challenges faced by the impact of the pandemic.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements: • give a true and fair view of the financial position of the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	The majority of our audit work was completed remotely during September to November 2020. Our findings are summarised on page 4. We have identified non-material errors in the financial statements that management have chosen not to process as detailed in Appendix C. The adjusted misstatements and disclosure recommendations are also reported at Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters; • completion of IAS19 pension liability audit work • completion of our internal quality review processes • reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement to include the agreed amendments • obtaining and reviewing the management letter of representation • updating our post balance sheet events review, to the date of signing the opinion • procedures for Whole of Government Accounts

Headlines

Financial statements (continued)		We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited cover the period up until 31 March 2020 which was shortly after the outbreak of the Covid-19 coronavirus pandemic. Our anticipated extended audit report opinion will be unqualified, although highlighting the material uncertainty that exists regarding the valuation of land, building and investment property, and the material uncertainty regarding the valuation of underlying pension fund assets that make up the pension fund net liability. These uncertainties reflect the market conditions arising from the Covid-19 pandemic. We were unable to provide our audit opinion by the deadline of 30 November 2020 due to delays in receiving responses from management to enquiries regarding the IAS19 pension liability calculation. Management are reliant upon the West Yorkshire Pension Fund to provide these responses.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Kirklees Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised in section 3 of this report.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed the majority of our work under the Code but will not be able to issue our completion certificate until we have completed our work on the Whole of Government consolidation pack.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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 for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and included:

- An evaluation of the Council's internal control environment, including its IT systems and controls, including the IT recommendations and progress on prior year at Appendix B;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of Kirklees Neighbourhood Homes Ltd specified audit procedures for IAS19 pension liabilities was required, which was completed by Beever and Struthers (KNH auditor) and by ourselves. Management also consolidate Kirklees Stadium Development Ltd into the group accounts, due to the fair value valuation of the stadium building being material. Our audit procedures are limited to analytical review and an assessment of the KSDL Stadium valuation.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

As explained to the Corporate Governance and Audit Committee meeting on 24 November 2020, our audit of your financial statements is substantially complete. Subject to outstanding matters listed at page 3 being completed, we anticipate issuing an unqualified audit opinion following the Corporate Governance and Audit Committee meeting on 20 January 2021. This is be later than the deadline of 30 November 2020 whilst we await the updated draft accounts from management.

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.

Materiality levels remain the same as reported in our Audit Plan.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	13,370,000	13,250,000	This equates to 1.35% of the previous year's gross cost of services expenditure and is considered to be the level above which the users of the accounts would wish to be aware of any misstatement
Performance materiality	8,691,000	8,613,000	Assessed at 65% of financial statements materiality
Trivial matters	663,000	663,000	Assessed at 5% of Authority financial statements materiality
Materiality for Senior Officer's Emoluments (Note 33)	n/a	20,000	This item merits a lower materiality than financial statement level materiality due to being of particular interest to the public

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid–19 Authority and Group The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; - remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, and one of the most significant assessed risks of material misstatement.	In response to the risk identified we: • worked with management to understand the implications the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts, and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 31 July 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council's property valuation expert and pension fund actuary; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained through remote technology; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and • engaged the use of auditor experts for higher risk audited bodies such as Kirklees Council for property asset valuations. Management have included a material uncertainty in the financial statements regarding land and buildings valuation arising from the global pandemic as we would expect to see. Management have also included a material uncertainty regarding the Council's share of West Yorkshire Pension Fund property funds and personal equity investments within Note 5 (Estimation Uncertainty) arising from the audit. We have no other specific matters to report concerning the risk identified.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Improper revenue recognition - Authority Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we determined at the planning stage that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Kirklees Metropolitan Council, mean that all forms of fraud are seen as unacceptable	The presumed risk was rebutted at the planning stage of the audit for the reasons given. We reviewed our rebuttal of this risk during the final accounts audit and concluded our assessment as detailed in the Audit Plan was still appropriate. As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures, including validating total revenues to council tax, non domestic rates and central government grants income. During the audit we identified a misclassification leading to overstatement of both income and expenditure on the Central Budgets line of the Comprehensive Income and Expenditure Statement (CIES). This related to pension related costs and had no impact on the net expenditure. The CIES was updated as reported in Appendix C.
Management override of controls - Authority Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following procedures in relation to this risk: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk or unusual journals • tested high risk and unusual journals recorded for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence • evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions. For 2019/20 management adopted a triennial revaluation cycle for land and buildings replacing the five yearly cycle that operated previously. We consider that this change will lead to more responsiveness to valuation movements and consequently a more accurate valuation in the balance sheet. Management also revisited their disclosure in Note 5 Assumptions and Major Sources of Estimation Uncertainty. Reference to Provisions was removed as not considered to be a source of material estimation uncertainty. Otherwise, our audit work has not identified any issues in respect of management override of controls which we wish to bring to your attention.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land, buildings, dwellings and investment property – Authority The Authority re-values its land and buildings on a three-yearly basis. In the intervening years, such as 2019/20, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority requests a desktop valuation from its valuation expert to ensure that there is no material difference. Where a rolling valuation programme is used, the Authority needs to ensure the carrying value of land and buildings in the financial statements that is not formally revalued during the year is not materially different from the current value or the fair value at 31 March 2020. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, Council Dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for Social Housing. The adjustment factor is prescribed in Government guidance, but this guidance indicates that where a valuer has evidence that this factor is different in the Authority's area, they can use their more accurate local factor. There is a risk that the Authority's application of these assumptions is not in line with the statutory requirements and that the valuation is not supported by evidence indicating that the social housing factor is not appropriate to use. Council dwellings and investment properties are revalued annually by management's expert to provide a Fair Value valuation. We identified valuation of land and buildings as a significant risk, and one of the most significant risks of material misstatement, and a key audit matter. Following issue of the Audit Plan, the significant risk was extended to include valuation of dwellings and investment property due to the high values and level of estimation involved.	Our audit work included, but was not restricted to: • evaluating management's assessment of the valuation of land, buildings, dwellings and investment property, gaining an understanding of the valuation process, including the key controls and assumptions used by management; • evaluating management's assessment that land and buildings not subject to the triennial valuation are not materially misstated at 31 March 2020; • critically assessing how key assumptions, such as the location, floor area, market vale, VAT recognition and the useful economic lives of the assets are determined by the Authority; • evaluating the competence, capabilities and objectivity of management's valuation experts; • challenging the information used by the valuer to assess its completeness and consistency with our understanding; • evaluating the beacons used for the council dwelling valuation in order to ensure that the classes used were appropriate and reflected the Authority's housing stock, as well as challenging the basis of valuation of such beacons. • challenging the social housing discount factor used by the Council in determining the value of dwellings; • engaging our own valuer to assess the instructions issued to the Authority's valuer by management, the valuer's report and the assumptions that underpin the valuation; and • testing, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's asset register and financial statements. **Key observations** As, disclosed in note 5 (Assumptions and Major Sources of Estimation Uncertainty) to the financial statements, in applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a material valuation uncertainty' in their valuation report. This is on the basis of uncertainties in the markets caused by Covid-19. The valuation exercise was carried out in December 2019 with a valuation date of 31 March 2020. The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and management believes this remains the best information available to the Authority. The Authority's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We identified an overstatement of two care home valuations by £5m due to an error in the number of bedrooms used to derive the valuation. We have reviewed all care home valuations to ensure that the error does not extend beyond the two identified. Details are shown in the schedule of adjusted errors at Appendix C. Subject to the above adjustment, we have obtained sufficient audit assurance to conclude that: • the basis of the valuation of land, buildings and investment property was appropriate; • the assumptions and processes used by management in determining the estimate of valuation of property were reasonable; and • the valuation of land, buildings and investment property disclosed in the financial statements is reasonable.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability – Authority and Group The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£824m in the Authority's 2019/20 balance sheet provided for audit) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter. Since issuing the Audit Plan we have also identified the Valuation of the pension fund liability as a significant risk to the Group due to the values and level of estimation involved regarding the share of the liability for Kirklees Neighbourhood Homes Ltd. This is however not considered a key audit matter for the group.	Our audit work included, but was not restricted to: • evaluating the accounting policy for the Authority's membership of the West Yorkshire Pension Fund (WYPF) for appropriateness and compliance with the Code of Practice for Local Authority Accounting 2019/20; • gaining an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability was not materially misstated and evaluating the design of the associated controls; • assessing the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation; • testing the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • engaging with the auditors of WYPF to identify, document and evaluate the procedures and controls used by WYPF to establish the accuracy and completeness of the source data, and over the provision of this source data, to the actuary for the purposes of preparing the triennial valuation, updating our understanding of the Authority's agreement with WYPF; • evaluating the instructions issued by management to their management expert (an actuary) for these estimates and the scope of the actuary's work; • assessing the work of the subsidiary (KNH) auditor regarding the WYPF pension liability and review of the KNH assumptions in arriving at their net pension liability; • assessing the accuracy and completeness of the information provided to the actuary to estimate the liability; and • testing the Authority's membership information provided by WYPF to the scheme actuary to the underlying records. **Key observations** Management adjusted the first draft version of accounts for audit to correct an error made in the pension fund valuation made by and identified by AoN, the scheme actuary. The Pensions disclosure note figures and related entries were amended for the AoN notified error. Areas amended include Narrative Report (page 12), estimation uncertainty note 5, Note 25 Other LT liabilities, Note 27 Unusable reserves. This increased the net pension fund liability by £10.536m. During the course of the audit the WYPF external auditor notified that they were placing an emphasis of matter in their audit opinion regarding uncertainty in the valuation of level 3 direct and pooled property within the fund (£347m) and regarding level 3 private equity in the fund (£1,514m). As a result we have requested that this estimation uncertainty is reflected in Note 5 to the Kirklees accounts (Assumptions and Major Sources of Estimation Uncertainty). The WYPF external auditors have also identified an extrapolated overstatement of pension fund investments of £68.8m. Management have revisited their investment valuation with WYPF who approximate the Kirklees Council share of the overstatement to be £8.35m. Management have not adjusted the accounts for this error as it is not material and is based upon an estimated extrapolated value. This is reported at Appendix C.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of pension fund net liability – Authority and Group (continued)	**Key observations (continued)** The WYPF has estimated that the Council's liability arising from the Goodwin case is £1.65m. This is based upon 0.2% of the net pension liability. Management have chosen not to adjust for this amount as it is not material. It should be noted that this adjustment would be reversed through the Movement in Reserves Statement to remove any CIES cost to services. This is reported at Appendix C. Subject to the amendment made by the Authority to the draft financial statements pre commencement of the audit and the unadjusted misstatements referred to above, we obtained sufficient audit assurance to conclude that: • the basis of the valuation of the net pension fund liability was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of the pension fund net liability disclosed in the financial statements is reasonable.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
Control deficiency – Updating supplier bank details Internal audit's review covering the period from 1 April 2018 to 31 October 2019 identified a fundamental breakdown of control regarding the processing of bank mandate changes from suppliers, exposing the Council to serious risk a significant fraud. Recommendations were made by Internal Audit to improve controls effective from mid-February 2020.	Our follow up review covered the remainder of the 2019/20 financial year. No evidence of bank mandate fraud was identified in our testing, however we were notified by officers that one minor third party fraud did occur in February 2020, which was refunded by the bank. We also found that although enhanced checks on bank mandate changes did appear to be evidenced on the system, in line with Internal Audit's recommendation, the monitoring of the recommendation had not been actioned until we made our own inquiries in October 2020.	A strong control environment is needed to contain the risk of bank mandate fraud, which if left uncorrected could leave the Council exposed to financial and reputational damage. A control recommendation has been raised at Appendix A to re-iterate that monitoring and oversight of bank mandate changes should take place and be reported to the Corporate Governance and Audit Committee.
GRNI accrual (Goods Received Not Invoiced) Audit testing identified three GRNI accruals which had been settled during 2019/20 and should not therefore have been reported as creditors at 31 March 2020.	We have extrapolated the error to £788k. As this amount is not material management have decided not to adjust the financial statements.	As the overall GRNI balance is £3.3m we are satisfied there is no risk of material misstatement within the accounts. Management should however revisit their controls to ensure that GRNI balances are matched to payments.
Dedicated Schools Grant The Council had a cumulative overspend of £14,396m as 31 March 2020 carried forward as a negative reserve. We disagree with the Management (and CIPFA's) view that a negative reserve can be created to carry forward DSG overspends. We have reviewed the statement from CIPFA which confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e. it "neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position".	Management have produced a briefing paper to support their accounting treatment of DSG overspends which they consider to be in accordance with CIPFA Bulletin 05 regarding Closure of the 2019/20 Financial Statements. This is interpreted to mean that a Local Authority can carry forward any overspends on DSG as a negative usable reserve rather than deducting from the general fund balances. The £14,396m negative DSG reserve is netted off other earmarked reserves.	Although we agree that management are complying with the CIPFA Bulletin 05 we do not consider that this is consistent with CIPFA LAAP bulletin 05 and consequently there should not be a voluntary earmarked DSG reserve. We however recognise that more clarity is required from CIPFA and note that a statutory override is proposed for 2020/21. The Council should also address the negative reserve position over the medium term. We have therefore raised this as a misclassification error between reserves in Appendix C.
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, Authorities still need to include disclosure in their 2019/20 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	Management include IFRS 16 within note 3 Accounting Standards that have been issued but have not yet been adopted.	Whilst the 2019/20 disclosure meets minimum expectations, management should ensure that they are fully prepared for the additional disclosure requirements arising from the introduction of IFRS 16 which will involve a detailed review of existing leases.

Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Kirklees Stadium Development Company Ltd (KSDL) **(40% Joint Venture)**	Revell Ward LLP	At the planning stage of the audit, and based upon prior year Group Accounts, we did not identify any specific significant risks regarding the Council's consolidation of the Joint Venture, and consequently planned to rely upon analytical procedures to gain audit assurance for the consolidation. The following matter has arisen during the audit: 1. The Council provided an updated IFRS based valuation of the KSDL stadium and associated property for £51.1m on 11 November 2020. The carrying value was £19.6m. This resulted in an understatement of the equity investment in KSDL on the Group balance Sheet by £12.5m and corresponding unrealised gain on the Group CIES. This is reported as an audit adjustment at Appendix C. We also recommended that management disclose the material valuation uncertainty concerning the stadium valuation as disclosed by the valuer. 2. As a result of the updated stadium valuation report we undertook further specified procedures to understand the valuation assumptions including appointing our own expert valuer to review the report. Also, given the market uncertainty arising from the pandemic we requested additional evidence from the Council to support that KSDL remains a going concern. Management have provided suitable evidence to support this assertion.	We have reviewed the Council's IFRS stadium valuation and do not disagree with the DRC valuation process followed by the Council's valuer. Management have updated the Group accounts to explain that a material valuation uncertainty exists in the stadium value which could impact the value of the Council's investment and share of the financial outturn of the joint venture.
Kirklees Neighbourhood Homes Ltd (KNH) **(100% owned subsidiary)**	Beever Struthers LLP	Management adjusted the first draft version of the Group Accounts presented for audit to correct an error made in the pension fund valuation for KNH made by and identified by AoN, the scheme actuary. We sought to place reliance upon some of the work of the auditor of KNH to gain assurance over the valuation of the KNH net pension fund liability within WYPF. Upon inspection of the component auditor's work we are required to carry out further procedures to gain sufficient assurance over the control environment over the pension fund liability in place at KNH. This is a change n the scope of the audit work reported in the Audit Plan. The Council has plans in place to bring the services of KNH back in house from 1 April 2021 followed by the closure of the subsidiary company. We have recommended that management make reference to this in the notes to the Council's accounts.	We have carried out further procedures over the value of the KNH net pension liability and have concluded that there is low risk of material error in the values used for group consolidation.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £528m	Other land and buildings comprises £403m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£125m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Wilks Head and Eve to complete the valuation of properties as at 31 December 2019 on a three yearly cyclical basis. 53% of total Land and Buildings assets were revalued during 2019/20. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5. The valuation of properties undertaken by the valuer has contributed to a net increase of £32.7m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 31 December 2019 to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value of these properties. The total year end valuation of Other land and buildings was £528m, a net increase of £33m from 2018/19 (£495m).	• We have assessed the Council's external valuer, Wilks Head and Eve, to be competent, capable and objective • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate, including floor areas • The Council has moved to a triennial valuation cycle from 2019/20 onwards which provides more robustness to the five yearly cycle that operated previously • Management has deemed that from 2019/20, Care Homes can be valued on an Existing Use Value (EUV) based upon revenue potential which is a move from Depreciated Replacement Cost that operated previously • During the audit we identified that two Care Homes were overvalued due to a calculation error of number of bedrooms by the valuer. The valuation was amended by £5m to correct the error as reported in Appendix C • Otherwise the valuation methods remain consistent with the prior year • In relation to assets not revalued in the year, we have compared the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other indices. These discussions are still on-going and we will make our conclusions before we issue the audit opinion. • The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements • Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion.	Green

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing - £679m	The Council owns 22,229 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Cushman & Wakefield to complete the valuation of these properties. The year end valuation of Council Housing was £679m, a net increase of £62m (10%) from 2018/19 (£617m). The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in their valuation reports. This is also reported in critical judgements, estimations made within the financial statements.	• The Council's RICS qualified valuer valued the entire housing stock using the beacon methodology, in which a detailed valuation of representative property types was then applied to similar properties. • Our work indicated that this methodology was applied correctly during 2019-20 valuation. • There has been an increase in the housing stock valuation of £62m during the year (10%). • We have compared the valuation movements with the Gerald Eve (valuation specialists) report and held discussions with our own valuation expert. These discussions are still on going. We have also challenged the Council's valuation specialist on valuation differences identified through our sensitivity analysis work using other relevant indices. These discussions remain on-going and we will make our conclusions before we issue the audit opinion. • The Council's valuation specialist has included a material valuation uncertainty paragraph as a result of Covid-19 in the valuation reports. This is also reported in the financial statements. Therefore, we are proposing to reference this issue in our audit opinion • We have assessed the Council's valuer, to be competent, capable and objective in carrying out the valuations • We have carried out completeness and accuracy testing of the underlying information provided to the valuer used to determine the estimate and have no issues to report • We have agreed the HRA valuation report to the Statement of Accounts and we can confirm that HRA valuation report balance has being correctly accounted for in the financial statements • Overall this key estimate of valuation includes a material uncertainty as at 31 March 2020 and we concur with that conclusion. As such, we will be reporting this within our audit opinion (as noted at Appendix E).	Green

Significant findings – key estimates and judgements

Accounting area	Auditor commentary
Land, Buildings, Dwellings and Investment Property	We have used Gerald Eve as our auditor expert to assess the valuer and assumptions made by the valuer – see table below for the work completed and our responses:

Area of review	Gerald Eve comment	Audit team follow up	Assessment
Clarity of terms of engagement and instructions.	Generally, we are comfortable that the valuer's instructions with the Authority have been set out within the Terms of Engagement letter in line with the RICS Red Book VPS 1.	N/A	GREEN
Is there a clear rationale/ approach provided to support the valuation methodology adopted for each asset category.	We are comfortable that the four classifications of valuation approaches have been set out in accordance with the Code.	N/A	GREEN
Reasons for changes in assumptions or methodologies employed from prior periods.	The Valuation of Care Homes has moved from DRC to Existing Use Value due to the availability of suitable income generation information to support the valuation. The Council has moved to a triennial external valuation schedule for 2019/20 to replace the previous 5 yearly cycle. GE were content with these changes in methodology.	Our work involved detailed testing of the external valuation schedules, including a sample of EUV assets and reviewing the underlying assumptions such as floor areas, location factors and use of indices. There are no further issues identified.	GREEN
Confirmation of MEA assumptions/ principles adopted and that conclusion can be supported. Confirmation that land values adopted in DRC valuations are satisfactorily evidenced.	The audit team should confirm if MEA adjustments have been made to arrive at DRC building values, where appropriate. The team should also confirm that the valuer has undertaken market evidence research to ensure land values are kept up to date with market movements.	Our work included review and challenge of the MEA assumptions, and review of evidence to support land values adopted for the sample of assets tested – no issues were identified.	GREEN
Confirmation that asset lifting estimates appear reasonable and in accordance with the detailed guidance.	The audit team should check that the valuer has assessed remaining economic lives in accordance with the DRC Guidance Note.	We have assessed the appropriateness of remaining useful economic lives and have no issues to report.	GREEN
How has obsolescence been arrived at for DRC valuations?	The audit team should understand how the age and obsolescence has been calculated.	In our testing of DRC assets we compared the obsolescence factors used against the expected scale – no issues were identified.	GREEN

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £824m Council **£888.8m Group**	The Council's net pension liability at 31 March 2020 is £824.7m (PY £738.1m) comprising the West Yorkshire Pension Fund defined benefit Local Government pension scheme obligations. The Council uses AoN to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The WYPF auditor has referenced a material uncertainty in the valuation of property investments and personal equity investments at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 5 (Estimation Uncertainty). The latest full actuarial valuation was completed at 31 March 2019, utilising key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The Council has seen a £86.6m net increase in Net Liability Related to Defined Benefit Pension Scheme during 2019/20.	• We have assessed the Council's actuary, AoN, to be competent, capable and objective • We have performed additional tests in relation to accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the 2019/20 roll forward calculation carried out by the actuary and have no issues to raise. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	

Assumption	Actuary Value	PwC value / range	Assessment
Discount rate	2.3%	2.3%	●
Pension increase rate	2%	1.9% - 2.1%	●
Salary growth	3.25%	3% - 3.6%	●
Life expectancy – Males currently aged 45 / 65	21.8 / 22.5 years	20.8 -23 years 22.5 – 27.2 years	●
Life expectancy – Females currently aged 45 / 65	24.6 / 25.7 years	23.5 – 24.7 years 25 -27.2 years	●

- We have reviewed the pension assurance work of the Kirklees Neighbourhood Homes Ltd external auditor, and carried out additional procedures in this area to gain assurance over the group's pension liability
- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate
- We have confirmed there were no significant changes in 2019-20 to the valuation method
- We are satisfied with the reasonableness of estimate of the net pension liability.

Significant findings – going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary	Auditor commentary
Management's assessment process Management have an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, savings required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council's treasury management arrangements. The Council has in place a three year Medium Term Financial Strategy 2021/22 – 2025/26 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position. The updated MTFS was approved by Cabinet in October 2020 and incorporates the impact of Covid-19. In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.	• The Service Director, Finance has concluded and confirmed to the auditor that the Council remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis. Management do not however prepare a formal paper setting out the basis of their going concern assessment for Those Charged With Governance (See Recommendation in Appendix A) • The Council has a track record of delivering its budget. It delivered the 2019/20 breakeven budget and with an operational underspend of £0.2m in 2018/19. The Council's general fund reserves increased by £8.4m during 2019/20 from £105m to £113.4m as at 31 March 2020 • The budget setting processes to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate • The Service Director, Finance (s151 Officer) and Head of Service - Accountancy routinely monitor the Council's financial position and report regularly to Members • The Covid-19 pandemic has had a considerable impact on the Council from March 2020. Whilst the additional costs have not had a significant impact on the financial outturn for 2019/20 given the pandemic started to impact from mid-March 2020, the scale of impact is being felt during 2020/21. There have been significant financial challenges as the Council responded to the Covid-19 pandemic through additional costs to support operational services and lost income through reduced trading activities. • The Council's Q2 budget monitoring report for 2020/21 reports a variance against plan of £5.5m of which £3.76m is attributable to Covid-19 related income losses. The 2020/21 budget and MTFS have been revisited and refreshed to include Covid-19 pressures and were approved by Cabinet in October 2020. The revised budget includes planned transfers from reserves during the year, with the largest being £1.3m from the revenue grants reserve, £0.8m from the Public Health reserve and £0.6m from the Strategic Investment Support reserve. • A balanced budget has been set for 2020/21. The MTFS reports a budget gap of £1.9m for 2021/22 and £13.1m for 2022/23. The gaps increase beyond that date although are expected to be partly met by government spending reviews. The budget is accompanied by appropriate sensitivity analysis.

Significant findings – going concern

Going concern commentary	Auditor commentary
Work performed Management did not complete their own going concern assessment so we considered key areas of focus and consideration of its Medium Term Financial Strategy.	• General Fund reserves have increased during 2019/20 by £8.4m to £113.4m at 31 March 2020. This includes £103.4m of earmarked reserves, of which £37.1m is a Financial Resilience Reserve for the purpose of meeting unfunded risks and pressures. A further £2.3m was transferred to reserves in Q1 of 2020/21. • A specific Covid-19 Response Reserve has been created to cover Covid-19 related expenditure during 2020/21. At 31 March 2020 this reserve contained £11.1m being the remainder of the first tranche of the Government's Covid-19 support grant. • The Council is working with the Local Government Association (LGA) and Special Interest Group of Metropolitan Authorities (SIGOMA) to ensure the Council is appropriately compensated for Covid-19 related pressures. Full year forecasts include estimated General Fund Covid-19 impacts of £38m before funding offsets. • Kirklees was allocated £28.2m of the Government's initial £3.7bn Covid-19 support package. The funding for tranches 1 to 4 total £35.8mm and will be initially transferred to the Covid-19 Response Reserve. This helps to provide some mitigation against the financial challenges posed by Covid-19. • At 31 March 2020 the Council held £42m of "cash equivalent" investments which are highly liquid (31 March 2019 £39.1m). • The Council's cash flow forecast to November 2021 reports a balanced income to match planned expenditure after recognising other council tax income, fees and charges which are not yet identified. Otherwise the income and expenditure plans agree to the Council's overall budget. • Considering the measures taken to address Covid-19 pressures, emergency funding available and relatively healthy general fund reserves position, Kirklees is in a stronger position than many Council's to deal with the financial challenges posed by the pandemic. • The updated MTFS and 2020/21 budget approved by the Cabinet in October 2020 contains realistic forecasts and sensitivity analysis and is compensated by adequate reserves to meet deficits as they arise. • We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future.
Concluding comments	We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: • the Services Director, Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or • the Services Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. In the absence of a detailed assessment by management that the going concern basis is appropriate for the 2019/20 financial statements, we have completed our own enquiries and consider that there is no reason for management to disclose a material uncertainty regarding going concern. We have recommended at Appendix A that management prepare a going concern assessment paper annually for the Corporate Governance and Audit Committee in accordance with best practice. We have also recommended that management include a Going Concern note to the financial statements to confirm that this is the basis for preparation and the factors that support this assessment. (Appendix A)

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance and Audit Committee. We have not been made aware of any incidents in the period relevant to our audit and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council including specific representations in respect of the Group, which is included in the Audit and Governance Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks and investment counterparties. This permission was granted and the confirmation has been received.
Disclosures	Our review found no material omissions in the financial statements. Disclosure omissions raised during the audit are summarised at Appendix C.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), are materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified and we plan to issue an unmodified opinion in this respect – refer to appendix E. Management agreed to some presentational amendments to Annual Governance Statement and Narrative Report which are reported in Appendix C.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold, we will be required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. This work has not yet commenced and will be completed once all other audit work has been concluded.
Certification of the closure of the audit	As a result of the need to complete the WGA work noted above, we do not expect to be able to certify the completion of the 2019-20 audit of the Council in our auditor's report, as detailed at Appendix E. This is in common with a number of local authorities where certification on closure of the audit takes place following completion of the WGA review in December 2020.

Value for Money

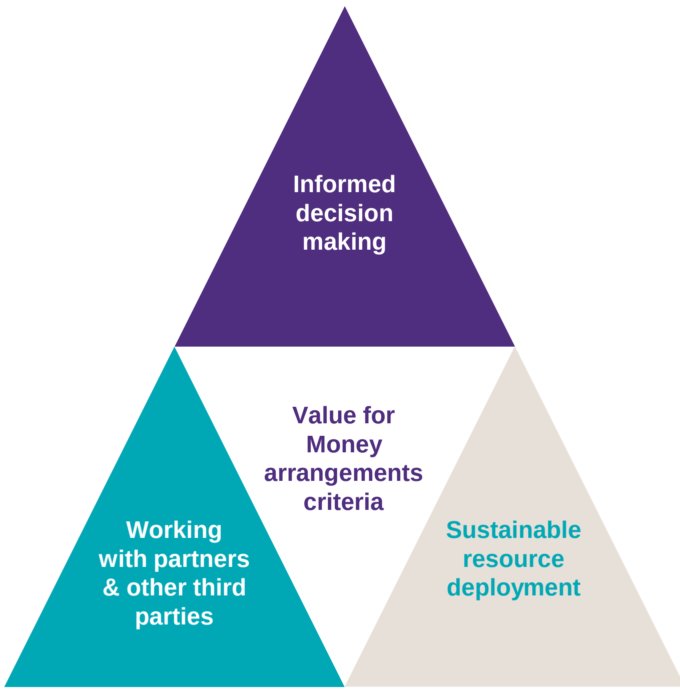
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in May 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated May 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan:

We have not identified any new VfM risks in relation to Covid-19 due to the date of the pandemic impacting month 12 of the financial year only. We have however reviewed management's response to the pandemic within the medium term financial plan.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main consideration was:

- Financial standing – the Authority as other authorities, continues to operate under significant financial pressures and achieving the set budget is considered as a key risk.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 22 to 23.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work and no recommendations for improvement are required.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Sustainable Resource Deployment - Financial Sustainability Risk identified in the Audit Plan: The Council in common with other councils, continues to operate under significant financial pressures. For 2019/20, the Council is planning to deliver a balanced outturn position but to achieve this, needs to deliver planned savings. There is a risk that the Authority does not meet its 2019/20 budget position or have appropriate arrangements in place to review its savings plans and take full account of the Covid-19 related expenditure and income in the Medium-Term Financial Plan. Since setting the original budget the Covid-19 pandemic has led to significant additional spend and requires a significant reprofile of the short and medium term financial plan. We will assess the progress made by the Council in achieving the 2019/20 financial outturn and consider how the Council plans to manage additional pressures arising from Covid-19. Our audit work included, but was not restricted to: • evaluating the arrangements the Council has in place to achieve its 2019/20 balanced budget; • review the achievement of planned savings during 2019/20; and • assessing whether the Medium-Term Financial Plan (MTFP) and saving plans appropriately recognise the financial risks and pressures facing the Council, including the financial impact of Covid-19 on the Council's finances.	The Council agreed a net revenue budget for 2019/20 of £294.7 million. The budget included targeted investment in the key focus areas for the Council of creating outstanding children's services, tackling climate change and investing in our places. Subsequently, following a net transfer to reserves of totalling £7.6 million, the revised budget was £287.1 million and this was achieved by the Council. The Council planned to deliver £7.7 million savings in 2019/20 as part of the 2020-23 Medium Term Financial Plan (MTFP). The actual savings delivered were £6.5 million. The balance was met through unplanned non-recurrent savings. During 2019/20 there were unplanned service pressures, the largest being £14.4 million for Special Educational Needs and Disability (SEND), above the Council's Dedicated Schools Grant (DSG) allocation. The in-year pressures were met by underspends elsewhere and higher than planned income streams such as Business Rate Relief Grant being £2.2 million higher than budgeted. General Fund balances increased by £8.4 million to £113.4 million at 31 March 2020. This includes £37.1 million financial resilience reserves to address unfunded cost pressures and risks. The Council approved a balanced net revenue budget of £304.5 million for 2020/21 in February 2020, including £2.2 million transfer to reserves. The MTFP included a budget gap of £12 million and £22 million for 2021/22 and 2022/23 respectively.	The Council operates under significant financial pressures, however, it continues to have effective arrangements in place to routinely monitor its budget and take appropriate action to mitigate against any significant variances or additional calls on resources. Whilst the Council has a savings target for 2020/21 of £3m, it has a good record of delivering the savings required and considers the savings targets are achievable. The majority of the 2019/20 savings target was achieved. Covid-19 has had a significant impact on the Council from mid March 2020, with additional costs to support operational services, lost income, and implications of potential reduced council tax and business rates payments. For the majority of 2019/20 the Covid-19 impact was limited given it commenced during March 2020. The cost impact for 2020/21 has been estimated by the Council at £26.5m which is met by government support. However there is also a forecast Covid-19 income loss pressure of £11.4m which is not fully met by government support. The 2020/21 Q2 budget report shows an overspend of £5.5m against the revised General Fund revenue budget of £305.9m. Of this, £3.7m was Covid-19 related income losses. The Council continues to effectively manage its financial position and is dealing with the impact of Covid-19. The Council has not had to contemplate an emergency budget to offset the impact of Covid-19 and has plans in place to deal with the expected cost of Covid-19. We therefore concluded that there are appropriate arrangements in place for sustainable resource deployment. This supports our proposed 'clean' unqualified VFM conclusion.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk (Continued)	Findings	Conclusion
Sustainable Resource Deployment - Financial Sustainability (Continued)	The Council has refreshed its MTFP in view of the emerging pressures facing the Council and anticipated funding streams, including from Covid-19, which was approved by full Council on 20 October 2020. The budget gap has reduced to £1.9 million for 2021/22 and £13.1 million for 2022/23 based upon an assumed £11 million annual increase in Adult Social Care funding. The expected budget gap rises sharply from 2023/24 onwards given the uncertainties regarding future government funding settlements and reform such as business rates. The financial impact of Covid-19 was felt from March 2020 although the government has committed to meeting the Council's Covid-19 costs. Kirklees initially received £28.2 million of the £3.7 billion set aside by the Government. A specific reserve for Covid-19 pressures was established in March 2020 containing £11.1 million of the Government's first tranche of un-ringfenced Covid-19 support grant at 31 March 2020. The funding for tranches 1 to 4 total £35.8m and will be initially transferred to the Covid-19 Response Reserve.	

Independence and ethics

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

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

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. The firm, its partners, senior managers, managers and network firms have complied with the Financial Reporting Council's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.

We have received confirmation that the component auditors (Beever and Struthers LLP and Revell Ward LLP) are independent of the Council.

We have received confirmation that Gerald Eve, auditor's valuation expert is independent.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit and non-audit services were identified which were charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing capital receipts grant	2,000*	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 £2,000 in comparison to the total planned fee for the audit of £152,221 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.
Housing Benefit Certification	34,000*	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 £34,000 in comparison to the total planned fee for the audit of £152,221 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.
Teachers' Pension Return Certification	5,000	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 £5,000 in comparison to the total planned fee for the audit of £152,221 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.
NCTL Certification	5,000	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 £5,000 in comparison to the total planned fee for the audit of £152,221 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	39,240		

* Estimated fees

Independence and ethics

Audit and Non-audit services (continued)

	Fees £	Threats identified	Safeguards
Non-audit related			
CFO Insights Subscription	11,500	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 £11,500 in comparison to the total planned fee for the audit of £152,221 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. These fees have not been reflected in the accounts because of the timing of CFO Insights The CFO insights service provides the Council with access to various data sources, which they decide how to use and make their own decisions about the delivery of services, therefore we do not believe there is an impact on the value for money conclusion.

These services are consistent with the group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Corporate Governance and Audit Committee. None of the services provided are subject to contingent fees.

We do not believe that the previous services detailed above will impact our independence as auditors.

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Action plan

We have identified the following recommendations for the group as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Going Concern** Management do not prepare a paper for Those Charged With Governance to support the going concern basis of accounts preparation. Such a paper is considered to be good practice and would provide assurance on how the Council will meet its financial liabilities, future financial challenges and manage cash flow over the next 12 months.	Prepare a paper annually for Corporate Governance and Audit Committee setting out the basis for the going concern preparation of the financial statements and provide this with the audit working papers. **Management response** Agreed. A going concern report will be submitted to CGAC as part of the 20-21 Accounts process.
● High	**Supplier bank mandate changes** Internal Audit have identified a discrepancy regarding the processing of bank mandate changes for suppliers. Although no evidence of bank mandate fraud was identified by officers at the Council, during 2019/20 Management had not fully implemented the monitoring and reporting of bank mandate changes to the Corporate Governance and Audit Committee, as recommended by Internal Audit.	Monitoring and oversight of supplier bank mandate changes should take place and be reported to the Corporate Governance and Audit Committee. **Management response** Agreed.
● Medium	**GRNI accruals** Audit testing identified three GRNI accruals which had been settled during 2019/20 and should not be reported as creditors. The error extrapolation was £788k.	Review GRNI accruals to payments made to avoid overstating the GRNI creditor balance. **Management response** TBC

Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Action plan

Assessment	Issue and risk	Recommendations
● High	**Improvements to control over administrator access for the Northgate application and database** During our audit, we were informed that administrator access on the Northgate application and database is restricted to users within IT that require it as part of their job roles / duties. However, based on our audit procedures it was noted that one user, who is part of the functional Business Support/CTR Team had this level of access assigned. This breaches good practice to manage risk through segregation of business users and those with administrator access assignments. While we understand a review of access by team is underway a risk currently exists due to this user's access. In addition, it was also noted that a number of shared generic accounts existed within both the application and database that also have administrator access assigned. Whilst we understood these accounts are required for specific tasks (i.e. updates and year end processes) and access is limited to relevant teams (i.e. application support or database admins) the controls over the accounts are not formalised / documented.	We recommend that management should review users assigned privileged access within the Northgate application to ensure all have an appropriate requirement and do not create any segregation of duties threats. Where risks exist and access cannot be removed for operational reasons management should consider implementing formal monitoring of user activities to gain assurance activity is appropriate / in line with job roles and as relevant formal requests. In addition, we recommend management should review controls around the use of any shared accounts to ensure that it is possible for them to gain assurance these are used only for approved tasks and by members of the appropriate teams. Management may also wish to consider if tasks performed by shared accounts could be undertaken through individual user accounts with delegated permissions. This would ensure accountability can be maintained and decrease the risk created through use of shared accounts. **Management response:** The user in the functional business area identified as having administrator access has had that access level removed in order to minimise risk. We recognise the particular risk associated with the Generic accounts. The accounts themselves are required as mandated by Northgate configuration. These functions cannot be assigned to other users, although some will run under another user they do not complete correctly. We have started to investigate audit reports to develop a system to review account logins and also to separately record when Generic accounts are used and by whom. From end of September 2020 we will run two standard audit reports in Northgate, monthly, against the "RB" user to ensure it is only used for approved tasks and by appropriate team in IT. September 2020 - Northgate have released V6.22 of the application and with it an additional (chargeable) module, V6 User Security. We have requested more details and a quote for the additional module which could provide opportunities to enhance overall security, improve our understanding of Job Roles, Action Groups and how they link to user access level thus ensuring a more informed user review. New features include but are not limited to, Single Sign On, the ability to distinguish Revenues access to either Council Tax or NDR, and an updated approach to setting User Roles, Action Groups and login profiles. We are looking to have release 6.22 in test by the end of September and to have made a decision on the additional module. This will inform next steps on the review. It is our intention to complete the review as soon as is practicable.

Action plan

Assessment	Issue and risk	Recommendations
Medium	**Evidence not available of access reviews being periodically conducted on Active Directory** During our audit, we were informed that user access and permissions reviews are performed on a periodic basis to reconfirm the requirement for individual users assigned access based on their current job role / duties. However, evidence of these reviews occurring was not provided for review. Where evidence of a control operating is not provided the risk is created that the control is not operating effectively. This then creates / increases the following risks: a) Gaps in user administration processes and controls may not be identified and dealt with in a timely manner; b) Access to information resources and system functionality may not be restricted on the basis of legitimate business need; c) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls; d) No-longer-needed permissions granted to end-users may lead to segregation of duties conflicts; and e) Access privileges may become disproportionate with respect to end users' roles. We understood that management have initiated a project to review all Northgate access and security logging processes but have not been provided with evidence for review and have been informed new processes have not yet been implemented.	It is our experience that access privileges tend to accumulate over time. As such, we recommend that management implement a process to perform periodic, formal reviews of the user accounts and permissions within Active Directory These reviews should take place at a pre-defined, risk-based frequency (annually at a minimum) and should create an audit trail such that a third-party could determine when the reviews were performed, who was involved, and what access changed as a result. These reviews should evaluate both the necessity of existing user ID's as well as the appropriateness of user-to-group assignments (with due consideration being given to adequate segregation of duties). **Management response:** A new Access Control Policy has been agreed that sets out the requirements for user account permissions. • Leavers process is automated to disable accounts immediately on instruction from HR; deletion after 30 days; • Existing user account permissions challenged when changes requested • Approval of changes and new permissions to be authorised by manager's manager • Policy commits to regular audits of access permissions In progress: A schedule is now in place to audit all service areas annually using a random sample of 5 - 10% users depending on size of service.

Action plan

Assessment	Issue and risk	Recommendations
● Medium	**Audit log monitoring is not fully enabled on Active Directory** During our audit, we reviewed the current audit logging output for Active Directory. This has been enabled through the use of a Security Information and Event Management product (SIEM) by McAfee with various events and activity logged, reported and reviewed. However, audit logging is currently not fully enabled across all relevant activities and events. Specifically, we noted that the current provision does not cover: Active Directory Office 365 Supported Applications While the system is not fully enabled the following risks still exist: a) Without appropriate logging and review of user account activities, it is difficult for management to monitor and detect unauthorised actions and / or identify potential external attacks in a timely manner. We understand that IT services are proposing to widen the scope of the processes and reporting / implement a new SIEM tool to ensure that this is completed and followed up in the future.	We recommend that management should ensure that audit logging / reporting processes covers all activities that could risk the security of the systems in use. Specifically logging should ensure use and / or activities of user accounts are configured to capture transactional level and configuration changes using a risk-based process, for example focusing on those accounts with elevated permissions. Logs should be reviewed periodically by someone other than the system administrators themselves. These reviews and, as relevant, follow up activity should be formally documented. **Management response:** SPLUNK has replaced SIEM; AD, O365, VPN, AV and Firewall are monitored in this system; Critical and High alerts are sent to the Security mailbox; Duties are segregated; all monitoring of activity and logs is carried out by the security team. In progress: Currently investigating the onboarding of other applications servers Security team is developing further features with the Consultants.

Follow up of prior year recommendations

We identified the following issues in the audit of Kirklees Council's 2018/19 financial statements. We have followed up on the implementation of our recommendations and note that 3 are not fully addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Revaluation of 'Other Land and Buildings'** The Council's current revaluation cycle of 5 year's for 'Other Land and Buildings' whilst compliant with the Code creates material estimation uncertainty, particularly where the replacement cost of specialised assets may have changed since the last revaluation. This necessitates a substantial amount of work by both finance staff, and auditors to demonstrate that for non revalued assets the current value is not materially different from the carrying value.	The revaluation of 'Other Land and Buildings' is carried out on a three year cycle starting in 2019/20.
✓	**Recognition of Investment in KSDL (Valuation of Stadium)** The valuation of the Stadium complex had been recognised at historical cost and not adjusted to Depreciated Replacement Cost on the consolidation of the Council's investment interest in the group accounts.	The Council provided an updated IFRS based valuation of the KSDL stadium and associated property on 11 November 2020 at £51.1m. The carrying value was £19.6m. This resulted in an understatement of the equity investment in KSDL on the Group balance Sheet by £12.5m. This is reported as an audit adjustment at Appendix C.
X	**Valuation of Investment Properties** The Council only revalues investment properties for individual assets under £250,000 on a 5 year cyclical bases. Whilst we are satisfied that no material estimation uncertainty remains as many of these are long term 'ground rents' this approach is not in our view compliant with the Code. We recommended that the Council should revalue all investment properties annually in compliance with the Code.	**Management Response 2018/19** There are a large number of investment properties (88) that are valued below £250k. At 31st March these represented £7.2m, which is not material. As such the limit for individual pieces of land will remain at £250k. We will however revalue these pieces of land on a 3 year revaluation cycle and those not valued will be reviewed for any potential movement by our internal valuer. **Auditor Update 2019/20:** The Code requires all investment property to be revalued annually and does not allow de-minimus exemption. The Council's treatment is therefore a departure from the Code. We have reviewed the assets not revalued and have concluded that they do not present a risk of material misstatement and comprise investments such as property leases.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Idle Login Sessions within Northgate** Login sessions within Northgate have an automated logout which disconnects after a period of 3 hours of inactivity. This condition poses the following risk(s) to the organization: a) Misuse of unattended login sessions by other valid users of the system, leading to loss of accountability of actions performed. b) Misuse of unattended login sessions by unauthorized personnel, leading to unauthorized data disclosure or data tampering	Based on discussion undertaken within the 2019/20 IT audit review of refinements / changes to the Northgate system is ongoing as part of a wider user and logging review. We note however, mitigation of the risk created is provided through the Active Directory screensaver being automatically enabled after 15 minutes.
X	**Automated Notifications of Leaver and Mover Activity** Security administrators of SAP, Northgate and Active Directory were not being provided automated, proactive notifications of anticipated HR mover and leaver activity, nor were they being provided automated per-occurrence notifications of unanticipated HR mover and leaver activity. It is understood that the introduction of AD Manager which is currently undergoing UAT testing should be implemented by the end of January 2019. This condition poses the following risk(s) to the organization: a) Access to information resources and system functionality may not be restricted on the basis of legitimate business need, (b) Enabled, no-longer-needed user accounts may be misused by valid system users to circumvent internal controls, (c) Terminated employees may continue to access information assets through enabled, no-longer-needed user accounts, (d) Revocation of access rights may not be performed accurately, comprehensively, or on a timely basis	Based on discussion undertaken within the 2019/20 IT audit this finding remains open as the automation through the AD manager tool was not fully implemented and operating at the time of the audit. We have been provided with evidence which allows us to move this item to in-progress.

Assessment

✓ Action completed

X Not yet addressed

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Reviews of Information Security Logs Created by Northgate and Active Directory** Logs of information security activity within Northgate and Active Directory were not being formally, proactively, and routinely reviewed. This condition poses the following risk(s) to the organization: Without formal, proactive, and routine reviews of security event logs, inappropriate and anomalous security activity (e.g., repeated invalid login attempts, activity violating information security policies) may not identified and/or addressed in a timely manner.	Based on testing undertaken within the 2019/20 IT audit we note that a review of user management, user reviews and audit logging is currently underway, but has not been implemented fully at this date. We have been provided with evidence which allows us to move this item to in-progress.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Comprehensive Income and Expenditure Statement (CIES) During the audit we identified a misclassification of income and expenditure on the Central Budgets line of the CIES relating to pension costs. Income and expenditure were both reduced with the net expenditure remaining unchanged. Corresponding impact for Group Accounts.	Dr Central Budgets Income £36,698 Cr Central Budgets expenditure £36,698	0	0
Note 9 Expenditure and Income analysed by nature To correct an error in the table whereby NNDR income of £77.6m was wrongly included within other grants Corresponding impact for Group Accounts.	Dr Income from Grants, Reimbursements and Contributions £77,600 Cr Income from Council tax and business rates £77,600	0	0
Group Balance Sheet (KSDL Consolidation) To include the updated IFRS valuation of Kirklees Stadium within joint venture equity investment (including associated adjustments to Group Movement in Reserves Statement). To recognise "Share of other comprehensive income and expenditure of joint venture" arising from the above adjustment	0 Dr Group Reserve £12,592 Cr Group CIES Joint Venture Income £12,592	Dr Investment in joint venture £12,592 Cr Group Reserve £12,592 *(Group Balance Sheet)*	Group CIES unrealised gain £12,592
Overall impact	**£0**	**£0**	**£0**

Audit adjustments continued

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Note 15 Property Plant and Equipment To correct an overstatement in care home valuation (Mill Dale and Crescent Dale) Corresponding impact for Group Accounts.	0	Dr Revaluation reserve £5,000 Cr Land and Buildings £5,000	0
Overall impact	**£0**	**£0**	**£0**

Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

No.	Adjustment Type	Description and value	Account / Note	Updated in the revised accounts?
1	Disclosure	A Going Concern note should be included in the accounts or Narrative report to explain that the accounts are prepared on a going concern basis and that management's assessment of going concern extends to 12 months from the date of the audit opinion (November 2021).	Suggest new note	X
2	Disclosure	Presentational amendments were suggested to improve the reader's understanding of the Narrative Report for the reader which management declined to include.	Narrative Report	X
3	Disclosure	Accounting policy for group accounts says the Council has material interests in companies and other entities etc. This should be rewritten to refer specifically to the current consolidation. It would also be appropriate to update the Group Accounts to note that there are plans to bring Kirklees Neighbourhood Homes Ltd back into the Council on 1 April 2021	Accounting Policies "Interests in Companies and Other Entities"	✓
4	Disclosure	Schools bullet should be amended to explain the critical judgement rather than being a description of how the Code is followed.	Critical Judgements Note 4	X
5	Disclosure	Following issue of the Council's draft accounts, we have been notified by the external auditor of West Yorkshire Pension Fund of a material valuation uncertainty regarding a number of property funds and private equity funds which form part of the WYPF investments. This should be noted as a material valuation uncertainty in note 5.	Assumptions and Major Sources of Estimation Uncertainty Note 5	✓
6	Disclosure	Provisions removed as major source of estimation uncertainty as not anticipated to be materially misstated through estimation error.	Assumptions and Major Sources of Estimation Uncertainty Note 5	✓
7	Misclassification	The Council reports the DSG overspend as a transfer to an overspent DSG reserve resulting in a negative reserve of £14,396k at 31 March 2020. The Council considers that the accumulated DSG deficit should be disclosed as an earmarked usable reserve, thus creating a comparable position to the now statutory funding basis for the 2020/21 financial year. Grant Thornton remains of the view that where overspends arise against DSG and are to be carried forward as a call against the schools' budget in future years and these should form part of the unearmarked general fund.	Transfers to/from Earmarked Reserves Note 11	X
8	Disclosure	Narrative added to explain how assets not revalued in year are assessed for accurate valuation at 31 March 2020	Property Plant and Equipment Note 15	✓

Audit adjustments

Misclassification and disclosure changes

No.	Adjustment Type	Description and value	Account / Note	Updated in the revised accounts?
9	Disclosure	Narrative added to explain the basis and calculation of the NNDR provision.	Provisions Note 24	✓
10	Disclosure	Fees to Grant Thornton regarding Certifications were updated to reflect the accurate fees for all non audit related services to be consistent with the Audit Plan. Also the fee for CFO Insights was updated to be consistent with the Audit Plan and to make clear that this is a non-audit service.	External Audit Costs Note 31	✓
11	Disclosure	Update to the remuneration disclosures to correct a salary banding error.	Officers Remuneration Note 33	✓
12	Disclosure	A note should be added to explain to the reader that the Group accounts are of equal stature to the Council's single entity accounts.	Narrative Report	✓
13	Disclosure	Hyperlinks should not be included in the Narrative Report and Financial Statements but replaced with a reference to where the corresponding information may be located.	Narrative Report	✓
14	Disclosure	Other minor presentational amendments.	Throughout the financial statements	X
15	Disclosure	Group accounts to be updated to highlight the material valuation uncertainty that exists in the external valuer's report for the KSDL Ltd stadium.	Group accounts narrative	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total comprehensive income and expenditure £'000	Reason for not adjusting
Note 25 Other Long Term Liabilities (Net LGPF pension liability) The external auditor of WYPF reported an unadjusted extrapolated error of £68.8m in the valuation of the underlying investments. WYPF have advised management that the impact on the value of the Kirklees underlying investment is approximately £8,350k. Corresponding impact for Group Accounts.		Cr Gross pension asset (within the net defined benefit pension liability) £8,350 Dr Pension reserve £8,350	0	Not material and based upon an extrapolated estimated value.
Note 40 Pension Fund The estimated liability relating to the recent Goodwin case on the pension liability for Kirklees Council. Note that the impact of the revaluation is reversed through the Movement in Reserves Statement (MIRS) so there is no impact on the General Fund balance. Corresponding impact for Group Accounts.	Dr Pension past service cost £1,649	Cr Pension liability £1,649	0	Not material and based upon an estimation.
Overall impact	**£1,649**	**£1,649**	**0**	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements reported in the 2018/19 Audit Findings Report.

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	£152,222	£175,555*
Total audit fees (excluding VAT)	£152,222	**£175,555**

* The final fee includes a variation of £22,833 due to factors including the impact of Covid-19 and remote working, plus the pass through cost of the auditor's expert valuer to review the KSDL stadium valuation. A sum of £2,500 was rebated due to the delayed implementation of IFRS16.

Fees per financial statements: £152,222 (does not include the above variation)

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services:		
Housing Benefits Subsidy Grant Certification	£34,000	£TBC
Teachers' Pension Certification	£5,000	£5,000
Housing Pooled Capital Receipts Certification	£2,000	£TBC
NCTL Teacher Training Certification	£5,000	£5,000
Non- Audit Related Services – CFO Insights	£11,500	£TBC
Total non- audit fees (excluding VAT)	**£57,500**	**£XX,XXX**

Audit opinion – Draft

We anticipate we will provide the Group with an unmodified audit report

See Separate Document

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