The Audit Findings (ISA260) Report for Kirklees Council

Year ended 31 March 2024

23 January 2025

For Corporate Governance & Audit Committee

Private and Confidential

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Audit Findings (ISA260) Report for Kirklees Council for the year ended 31 March 2024

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Gareth D Mills

Engagement Lead & Key Audit Partner
For Grant Thornton UK LLP

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. 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 rrrrended 31 March 2024 for the attention of those charged with governance.

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 and the group and Council's income and expenditure for the year • 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.	We received the group and Council's draft 2023-24 accounts on 28 June 2024. This puts the Council slightly behind the 41% of local government that produced their accounts by the statutory deadline of 31 May 2024 but still represents a good achievement for the Council. We would also note that the Council has continued to work with appropriate focus on the accounts closedown and audit to ensure that the Council does not become part of the LG accounts opinion backlog. Our audit work was completed using a hybrid of on-site and remote work between July-November as planned. Our findings are summarised in Section Two of this report. We have not identified any adjustments impacting on the Council's usable reserves. One misstatement was identified that impacted between cash, debtors & creditors on the Council's balance sheet, which had no overall impact to the total value of the balance sheet or reserves. In addition, our work identified an impairment to a school of £16.7m which has been adjusted since material and is detailed at Appendix D. Our work also identified an extrapolated misstatement of £3.3m in respect of gross internal areas used in the valuation of specialised land and buildings, also detailed at Appendix D, similarly this does not impact on the Council's usable reserves. There is one further unadjusted misstatement to report in respect of a former day care centre that required a reclassification to surplus assets and valuing using the fair value basis as at year end. Subsequent estimation has indicated an impairment of £1.2m which remained unadjusted as immaterial – no impact on useable reserves identified. Our work also identified several presentational and disclosure amendments which are detailed at Appendix D. Audit adjustments are detailed at Appendix D. We have also raised ten recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C. Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion detailed at Appendix G or material changes to the financial statements, subject to the following outstanding matters; • completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager, Engagement Lead and Review Partner, specifically in respect of significant audit risks of land and buildings valuation and the pension fund net balance valuation • reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement to check amendments agreed with management have been processed • obtaining satisfactory responses from the Council's internal estates surveyors in respect of the valuation of land & buildings, and investment property • obtaining and reviewing the management letter of representation • updating our post balance sheet events review, up to the date of signing the opinion. We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited. Some presentational and narrative amendments have been made as detailed at Appendix D, however, we understand that management does not intend to update for these matters in respect of the Narrative Report. The AGS has been updated for these amendments. Our anticipated financial statements audit report opinion will be an unmodified 'clean' opinion subject to the satisfactory completion of the above outstanding matters. We are targeting to complete our audit work in early February 2025 upon satisfactory completion of matters listed above. We expect to publish an updated version of this Audit Findings (ISA260) report at the time of issuing the audit opinion. This is expected to follow the Corporate Governance and Audit Committee meeting on 31 January 2025.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	Our work on the Council's value for money (VFM) arrangements is now complete and a draft Auditor's Annual Report (AAR) has been shared with Council officers for their review and comments. We are expecting to formally report our commentary on the Council's arrangements and present our Auditor's Annual Report to members at Corporate Governance and Audit Committee in January 2025. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any statutory recommendations however out work did identify the existence of three significant weaknesses in the Council's arrangements and so we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. **Significant weakness 1: Financial Sustainability – Weaknesses in the Council's overall financial standing** Outturn in 2023-24 was an overspend of £7.3m and currently forecasting an overspend of £9.9m at Q2 in 2024-25. There are clear pressures on budgets (particularly around demand) but the Council did not fully anticipate or incorporate the pressures into its baseline budget in 2023-24 and similarly for 2024-25. Successful action has been taken in year to manage and reduce pressures but not fully mitigate. The impact is more acute due to a low level of useable reserves. **Significant weakness 2: Financial Sustainability – Under delivery against Dedicate Schools Grant (DSG) Safety Valve management plan with DfE and continued DSG overspends that are adversely impacting the plan to remedy the deficit** The Council had a cumulative DSG deficit of £43.7m at the end of 2023-24, and in 2024/25 the forecast at quarter one for the year was for an overspend of £20m. The Council did agree a new plan to improve this called a Safety Valve Management Plan with the Department for Education at the end of 2023-24 but this plan is not on track as at Q2 in 2024-25. Action is required to bring its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE. **Significant weakness 3: Social Housing Regulator's Regulatory Notice – The Council's failure to meet statuary health and safety requirements** In March 2024, the Social Housing Regulator published a Regulatory Notice identifying that the Council was failing to meet statutory health and safety requirements in some council homes. Remedial actions required by the Council to address the issue include: fire remedial actions resulting from fire assessments to be actioned, repairs required to address damp and mould and need to conduct water quality testing. In addition to the three significant weaknesses above, we have reported ten improvement recommendations in our AAR. Our AAR is due to be presented to the Corporate Governance and Audit Committee on 31 January 2025.
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 cannot issue the audit certificate until we have completed our review of the Council's Whole of Government Accounts (WGA) submission and completed our work on the two public Objections we received on the 2023-24 accounts. We will keep management informed of our work in these areas and issue our certificate as soon as possible.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament [Written statements - Written questions, answers and statements - UK Parliament](#) This confirm the government's intention to introduce a backstop date for English local authority audits for each of the following financial years up to the 2028 year. As a consequence of this, there is a requirement for the audit opinion on the Authority's accounts for this year (2023-24) to be issued by 28 February 2025. As noted on the previous page, we are pleased to confirm that we anticipate concluding your audit in advance of the backstop date.

We have included a table below setting out future accounts backstop dates for your reference.

Financial year	Backstop date (audit opinion and Auditor's Annual Report (VfM) must be issued by this date)
2023-24	28 February 2025
2024-25	27 February 2026
2025-26	31 January 2027
2026-27	30 November 2027
2027-28	30 November 2028

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With some inflationary pressures continuing and demand pressures showing little sign of abating, there are clear pressures being placed on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Our 2023-24 Value for Money assessment has not identified this matter to be of significant importance for Kirklees but we have considered it appropriate to include this context statement to provide Members with the knowledge of what Grant Thornton is observing across the local authority sector. The serviceability and sustainability of external borrowings is an area for which members should continue to have regard in carrying our their scrutiny and challenge role in terms of the Council's financial management and governance. Whilst we do acknowledge that this is not considered to represent a significant issue for Kirklees Council at this time, we have made some forward looking comments around external borrowings on page 15 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and support provided by the finance team and other staff during our audit.

The accounts backstop date set at 28 February 2025 for the 2023-24 accounts year end has set a hard deadline for the audit opinion and closure of local government accounts that has not existed in preceding financial years. As auditors, we are pleased to report that this is not expected to impact the Authority and the expectation is that the 2023-24 audit opinion will be given in advance of this date. This has been achieved by the high level of engagement demonstrated by the Council's finance officers throughout the audit process and the tone from the top at the Council, appropriately resourcing the finance function and communicating the importance of concluding the audit and VfM work in a timely manner.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings (ISA260) 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 the Head of Accountancy and the Service Director Finance (s151) prior to it being presented to the Corporate Governance & Audit Committee on 31 January 2025. We expect to publish an updated version of this Audit Findings (ISA260) Report at the time of issuing the audit opinion.

Our work on the Authority's value for money (VFM) arrangements is now complete. The outcome of our VFM work has been reported in our commentary on the Authority's arrangements in our Auditor's Annual Report (AAR), which is scheduled presented to the Corporate Governance and Audit Committee on 31 January 2025. A total of three key recommendations and ten improvement recommendations are reported in the AAR. Our findings are set out in further detail on pages 31 to 33 of this report.

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 and Council's business and is risk based, and in particular included:

- An evaluation of the group and Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's and Council's gross revenue expenditure on cost of services to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a full audit for the Council was required using component materiality based on the Council's single entity financial statements. In addition, we determined that additional group audit procedures were required on the valuation of KSDL's interest in the John Smith's Stadium, Huddersfield using group audit materiality. All audit procedures have been completed by the group engagement team (Grant Thornton). This is consistent with our audit approach last year.
- Substantive testing on significant transactions and material account balances and disclosures, including the procedures outlined in this report in relation to the key audit risks.

We have not amended our planned audit approach set out in our Audit Plan, dated 9 April 2024 and presented to the Corporate Governance and Audit Committee meeting on 10 May 2024.

Conclusion

We have substantially completed our audit of your financial statements and subject to the satisfactory completion of the outstanding items listed below, we anticipate issuing an unqualified audit opinion following the Corporate Governance and Audit Committee meeting on 31 January 2025.

Our proposed audit opinion is detailed at Appendix G.

These outstanding items include:

- completion of our internal quality review processes, including final reviews of the file by both the Engagement Manager, Engagement Lead and Review Partner, specifically in respect of significant audit risks of land and buildings, dwellings and investment property valuation and the pension fund net balance valuation
- reviewing the final version of the financial statements, Narrative Report and Annual Governance Statement to check amendments agreed with management have been processed
- obtaining satisfactory responses from the Council's internal estates surveyors in respect of the valuation of land & buildings, and investment property
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, up to the date of signing the opinion.

2. Financial Statements

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 dated 9 April 2024 and presented to the Corporate Governance and Audit Committee meeting on 10 May 2024.

We detail in the table to the right our determination of materiality for the Council and Group.

Materiality area	Group Amount	Council Amount	Qualitative factors considered
Materiality for the financial statements	£16.25m	£16.2m	This equates to 1.35% of the Council's Gross Expenditure on Cost of Services presented in the 2022-23 audited financial statements
Performance materiality	£11.35m	£11.3m	This has been set at 70% of headline materiality, which is in line with the prior year. This reflects the fact that the Group has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.
Trivial matters	£810k	£810k	This equates to 5% of headline materiality and represents our threshold for reporting corrected and uncorrected misstatements to the Corporate Governance & Audit Committee.
Materiality for senior officer remuneration	£20k	£20k	The senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to its sensitive nature.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Relates to	Commentary
Management override of controls 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.	Council	**Auditor commentary** Our work focussed on key estimates and judgements made by management. No entity-specific fraud risks were identified and communicated in our Audit Plan dated 9 April 2024 and none have subsequently been identified from the audit fieldwork procedures performed. In response to this risk, we have conducted testing on journal entries where there has been the potential to manually input adjustments to the general ledger, with a focus placed on closing journal entries in the final period and during the preparation of the financial statements as instructed by relevant auditing standards. We have also conducted a review of key accounting judgements and accounting estimates. No estimates or judgements have been identified as a fraud risks and due statutory accounting overrides prescribed by the Code, we have not identified any incentives for management to fraudulently misstate relevant transactions and balances. No indicators of management bias have been identified from our work on judgements and accounting estimates. **As part of our work, we have:** • evaluated the design effectiveness of management controls over journal entries • understood the ledger integration with relevant sources and sub-systems to identify how management may be able to intervene in the journals posting process and post fraudulent entries. • analysed the journals listing and determined the criteria to be applied in identifying high risk unusual journals • challenged management's key judgements and estimates and considering whether these judgements and estimates are individually or cumulatively indicative of management bias • identified and tested unusual material journals made during the year and the accounts production stage, journals late in the financial year that were crediting (reducing) non-pay expenditure, and those posted by senior management personnel for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale including the existence of underlying incentives for any changes in accounting policies, estimates or significant unusual transactions • reviewed and tested transfers between the General Fund and Housing Revenue Account, and intra-group journals. **Key findings** Our audit work has not identified any issues in respect of management override of controls.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
ISA240 revenue risk – risk of fraud in revenue recognition (rebutted) 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 Council, as communicated in our audit plan dated 9 April 2024, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable.	Council	Auditor commentary No changes to our assessment reported in the audit plan subsequently identified. Although we have rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions, which include the following: **Accounting policies:** • Evaluated the Council's accounting policies for recognition of income for its material income streams and compliance of recognition principles with the CIPFA Code. **Grant Income** • For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including the treatment of credited to services and recognition as non-ringfenced other grant income. Regard to principal/agent considerations has also been given as part of our detailed testing. • For income raised from council tax and non-domestic rates, which are of a predictable nature, we have performed substantive analytical based on the no. & value of rateable properties, applying any annual increases to rates as appropriate. **Fees, Charges and Other income** • Disaggregated the non-grant income transaction stream, identifying significant and recurrent income sub-streams. Examples include adult social care user contributions, housing rents (HRA), over which an understanding has been gained as to the nature of the income and recognition principles. Substantive procedures were performed on these income sub-stream populations to test the occurrence, accuracy and completeness of the income recognised. • Tested, on a sample basis, income transactions to supporting documentation and cash receipts to evidence the occurrence of these transactions. • Designed and carried out appropriate audit procedures to ascertain that recognition of income is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2024. Key findings Our work has not identified any issues in respect of the risk of fraud in revenue recognition. There are no matters to report in respect of the Council's income recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted) In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Having considered the risk factors set out in PAF PN10 and the nature of the revenue streams at the Council, as communicated in our Audit Plan dated 9 April 2023, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • expenditure is well controlled and the Council has a strong control environment • there is little incentive to manipulate expenditure for the Council where services are provided to the public through taxpayers' funds • there is no immediate pressure on availability of general fund reserves at the Council • the Council has clear and transparent reporting of their financial plans and financial position.	Council	Auditor commentary No changes to our assessment reported in the audit plan subsequently identified. Although we have rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions, which include the following: **Accounting policies:** • Evaluated the Council's accounting policies for recognition of expenditure for its material expenditure streams and compliance of recognition principles with the CIPFA Code. • Updated our understanding of the Council's business processes associated with accruing for relevant expenditure at the end of the accounting period. **Expenditure** • Agreed, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded. • Obtained an understanding of the SAP GRIR - Goods Receipt Invoice Receipt (goods received not invoiced) and creditors closedown processes implemented to ensure that expenditure is accounted in the period to which it relates. • Undertook a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year were supported by underlying data including enacted pay awards and movements in workforce numbers. • Designed and carried out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2024. • Disaggregated the non-pay expenditure transaction stream, identifying significant and recurrent expenditure sub-streams. Examples include housing benefit payments, PFI unitary charges, the Locala public health contract, over which an understanding has been gained as to the nature of the expenditure and recognition principles. Substantive procedures were also performed on these expenditure sub-stream populations to test the occurrence and accuracy of the expenditure recognised. • Inspected a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the value of the accrual was consistent with the value invoiced after the year end. • Tested a sample of adult social care and children's services expenditure and agreed these transactions back to the care packages held on each subsystem, including verifying that each care package had been appropriately authorised and the care package values held on the system agreed to the amounts paid to the third-party providers. Key findings Our work has not identified any issues in respect of the risk of fraud in expenditure recognition. There are no matters to report in respect of the expenditure recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
Valuation of land and buildings and council dwellings The Council re-values its land and buildings on a rolling three-yearly basis. This exceeds the Code requirement for valuations to take place at least every five years. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £1.35bn for land & buildings and council dwellings) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. The closing valuation of land and buildings and council dwellings was identified as a significant risk, and one of the most significant assessed risks of material misstatement.	Council	**Auditor commentary** Whilst the overall carrying value of other land & buildings has decreased by £3m, there have been no key changes to either the Council's estate or the assumptions used in its valuation. We have corroborated the valuations being materially in line with the prior year to the BCIS tender price index, most relevant to specialised buildings, which showed annual growth of just under 3% at a headline level. In addition, no material changes have been identified in local-to-Kirklees market-based assumptions, and as such there are no indicators of material movements in respect of EUV assets. The most significant individual movement within other land & buildings population was a valuation decrease of £7m in respect of Dewsbury Sports Centre, where reinforced autoclaved aerated concrete (RAAC) had been identified and the centre closed and impaired as a result. The value of council dwellings has increased by just under £13m (or 1.6%) which is consistent with house prices being broadly flat over the year. The £22.5m of dwellings additions has broadly equated the depreciation charge in year, which supports the principle of spend from the major repairs reserve being used to maintain a remaining useful life for council dwellings of 26 years. **As part of our work, we have:** • evaluated the design effectiveness of controls in place around the valuation process • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work & the appropriateness of the basis of the valuation • evaluated the competence, capabilities and objectivity of management's valuation expert • evaluated the challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding & written to the valuer to confirm the basis on which the valuation was carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's Asset4000 fixed asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • performed indexation on properties not revalued in the year to establish that there was no risk of material movement • engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of buildings and give a view on the adequacy and appropriateness of management's external valuer's report • agreed, on a sample basis, the internal floor areas (GIAs) to the Council's K2 property asset management software and AutoCAD building measurement software • for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations • for council dwellings, valued using the beacon methodology, obtained comparables from online sold property websites and assessed the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we assessed the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites. **Key findings** Our work identified an impairment in relation to Almondbury Community School with a carrying value of £16.7m that has been closed and decommissioned from service. The impact of this impairment is detailed on page 49 of this report. In addition, our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m. This has not been adjusted by management on the basis that this is an extrapolated and not a factual error, and is not considered by management to be material to the financial statements. This unadjusted misstatement is set out in detail on page 51 of this report.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relevant to	Commentary
Valuation of Investment Properties The Council re-values its investment property portfolio annually for in line with the Code requirements. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £90m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of investment property in the Council's financial statements is not materially different from the fair value at the financial statements date, where an alternative valuation reference date is used. We therefore identified the closing valuation of investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council	**Auditor commentary** The carrying value of investment property has decreased by 7.5% in year to £90.7m. The majority of this £7m decrease can be explained by losses in the fair value. Over 60% of investment property (by value) is land. Of the £7m decrease, £3m relates to additions posted between January and the end of March 2023 which were subsequently impaired by the valuer as non-value enhancing and the remainder (£4m) relates to decreases in land values. This is consistent with marginal decreases in national indices and a softening in values offered for residential land, aligned with a slightly weaker housing market nationwide. **As part of our work, we have:** • evaluated the design effectiveness of controls in place around the valuation process • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work • discussed with the valued and evaluated the appropriateness of the basis of the valuation • evaluated the competence, capabilities and objectivity of management's valuation expert • evaluated and challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding and we have written to the valuer to confirm the basis on which the valuation was carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's Asset4000 fixed asset register • engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of investment property and give a view on the adequacy and appropriateness of management's external valuer's report • reviewed the classification of investment property assets for consistency with the Code and IPSAS 16 definition. Under the definition, an investment property is one that is used solely to earn rentals or for capital appreciation or both. This procedure is not expected to directly inform our work on the valuation of investment property (significant risk) but remains a key audit procedure nonetheless. • for investment properties valued on a fair value (FV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations. Similarly for those land assets, we have obtained market data for both sold and currently marketed land to assess the appropriateness of the adopted values per acre. **Key findings** No material issue have arisen from our testing of investment property valuations, with the fair values adopted considered reasonable. We were also satisfied, to a material extent, with the classification of the population of land and buildings as investment property. Investment properties are required to be revalued annually in accordance with the CIPFA Code. As at 31 March 2024, there were investment properties totalling £9.2m which have not been subject to annual revaluation, which is not compliant with Code requirements. Management asserts that investment properties below £250k are de minimis and trivial to the overall balance of investment property by the Authority. The value of this sub-£250k population has risen in recent years towards our audit performance materiality threshold of £11.3m, and management may be required to reconsider and adjust the threshold for properties subject to an annual valuation to ensure the accounting practices adopted by the Council remain compliant with Code requirements. We have raised a management recommendation at Appendix D on this matter.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Relates to	Commentary
Valuation of pension fund net surplus The Council's pension fund net surplus, as reflected in its balance sheet as the net defined benefit surplus, represents a significant estimate in the financial statements. The pension fund net surplus is considered a significant estimate due to the size of the numbers involved (£144m on the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the net IAS 19 surplus. In particular the discount and inflation rates, and life expectancy. 2023-24 is the second year that the Council has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation and the IFRIC 14 net pension surplus recognition and valuation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net surplus as a significant risk.	Council	**As part of our audit work, we have:** • updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net surplus is not materially misstated and evaluated the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • tested 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 • performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we have performed any additional procedures suggested within the report • obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • confirmed that pension fund asset valuations were based on a 31 March 2024 valuation date. **Additional commentary and work undertaken in respect of pension surplus position** **Pension Fund Asset position:** The audited body presented a £144m surplus in its draft accounts based on the IFRIC 14 calculation supplied its actuary Aon. There has been an increase in the surplus calculated due to a year-on-year increase in the discount rate on high-quality corporate bonds (assumption stipulated by IAS 19 accounting standard) alongside a decrease in the inflation (pension increase) assumption. We have assessed the £144m surplus to be an appropriate management estimate. This judgement has been reached having considered the following points. The calculation assumes a minimum funding requirement exists in respect of Local Government Pension Scheme (LGPS) which means that annual contributions to the scheme will continue to be required irrespective of the value of any net pension surplus. The calculation has also assumed that the LGPS will remain open to new members on an infinite basis and as such an annuity in perpetuity basis has been used. Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 22-year recovery period. Our work confirmed that the IFRIC 14 assumptions used were in keeping with the range of assumptions that were deemed appropriate by the CIPFA IFRIC 14 guidance and the commentary of PwC as the external auditor's expert.

2. Financial Statements – other risks

Level of External Borrowing

Issue	Commentary	Auditor view
All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans. The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.	As an Authority, Kirklees Council has borrowing totalling just under 90% of its capital financing requirement so remains in an under-borrowed position and its unfinanced capital spend has risen by just under £40m in 2023-24. Our work has not highlighted the Council pursuing the acquisition of investment property or making other illiquid investments with the target of generating a return on capital that are not expected to be used to deliver services. As such we have not identified any indicators of high inherent risks in this area from the work performed. However, we would comment that the Council is pursuing some high value regeneration schemes that are currently in their early stages of development which are expected to sum to over £290m. These include the Cultural Heart development scheme (est. £250m), full refurbishment and letting of the George Hotel (est. £30m) and re-development of the Huddersfield Open Market (est. £16m). Considering the constricted revenue budget envelope in which the Council is operating there is a risk that any construction overspends or additional interest costs from unplanned borrowing spill over and impact the revenue position, and potentially threaten the overall financial sustainability of the Council. From our sector experience, we have also observed high-value schemes being progressed with the business case noting strong commercial interest and anchor tenants subscribing to schemes which include cinemas, food outlets, entertainment venues and shopping centres. Unfortunately for a number of other authorities, there are instances where schemes have been completed but by which point the commercial interest has evaporated based on macro economic factors or changes in the operator's business plans, resulting in adverse financial impact for the local authority concerned.	These risks require close management by the Council, ensuring the business plan and commercial feasibility remains under scrutiny throughout development and the contractual provisions with third parties are appropriate and sufficient to protect the Council's regeneration, commercial and financial interests. The Council should also set up its own sensitivity analysis, to identify how any capital overspends, the need to take additional borrowing, and the potential for rental void periods (untenanted) could impact on the Council's wider financial standing. The Council should then assess whether these financial risks are palatable and ensure decisions taken are aligned with a set level of financial risk, which the Council is willing to accept. Management response: *Noted. It is agreed that capital schemes should have business cases that cover sensitivity analyses around key variables and reasonable estimates should be used therein. Furthermore, these should be updated at key points in the relevant programme.* *However the existing mitigations listed below should be recognised:* • *The Council has ensured sound business cases have been considered and approved where appropriate for all regeneration schemes. The business cases all follow the standard format used by HM Government, i.e. based on HM Treasury Green Book 5 case business case.* • *By way of example, gateway processes have been employed for Our Cultural Heart, ensuring Cabinet remain able to decide for each of the 5 phases, independent of previous commitments and with timely information.* • *The council has appointed a Strategic Delivery Partner (Turner & Townsend Ltd), to ensure the required skill set and capacity is available for delivering regeneration schemes at scale and pace across a varied construction programme.* • *The chosen form of contract for construction helps manage risks and apportion them appropriately, i.e. Design & Build contracts where applicable, to quantify and apportion risk to the contractor, keeping large scale construction projects to time and budget.* • *Income assumptions have been prudent in all cases where commercial income is required, i.e. George Hotel. Sensitivity testing has been undertaken and made available to cabinet to help inform their decisions.*

2. Financial Statements: Key findings arising from the group audit

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

No changes have been subsequently identified to our group risk assessment as presented in our Audit Plan. No misstatements have been identified from our group audit work performed.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Enacted audit approach
Kirklees Council	Yes	Full audit of the Kirklees Council accounts as the significant component within the Group. Audit of the financial information of the component using component materiality.	Significant risks: • Management override of controls • Valuation of land & buildings and council dwellings • Valuation of investment property • Valuation of defined benefit net pension fund surplus	Full scope audit performed by Grant Thornton UK LLP.
Kirklees Stadium Development Limited (KSDL)	No	Specified audit procedures performed on the equity accounting of KDSL in the group accounts and on the valuation of the John Smith's sports stadium – the sole line item in KSDL's accounts that was material to the group in 2022-23, however testing in 2023-24 has identified that a valuation loss has resulted in the Council's equity share is no longer material.	No significant risks identified that relate to the Group audit opinion. KDSL's equity share is now not material (£14.3m) to the group and therefore does not give rise to a high inherent risk of material misstatement (only 1 x our audit materiality). The equity share has decreased YoY – 2023: £18.8m. A £10m fall in the building valuation at 40% for the Council's share - £4m is the reason behind the decrease in the Council's equity share.	We have performed targeted substantive testing of the material balance within KSDL (closing valuation of the John Smith's sports stadium) and the equity accounting of KSDL in the group accounts.

Findings

There are no key findings in respect of the group audit work.

We understand from officers that there is the potential for the Council to enter into a transaction to enact the restructuring of KDSL in the coming months. The Council has assessed whether the potential for this transaction to occur would have any material impact on the group accounts for 2023-24, and concluded that there is no such impact. As auditors, we have concluded that the assessment presented by the Council is appropriate and consistent with Code principles. As such, no material impact on the 2023-24 financial statements has been identified. Finance officers should continue to keep abreast of how this potential restructuring transaction progresses to ensure this is this is appropriately captured in the following period's financial statements.

2. Financial Statements: new issues and risks

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 deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, 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, along with the estimated impact of IFRS 16 on the accounts.	In the draft accounts, management disclosed '*that work on the implementation of the above Code change is ongoing and the full impact on the Council's single entity and group accounts has not been fully assessed yet*'. We understand from management that the assets likely to fall within the scope of IFRS16 are generally known – c200 vehicles and a small number of significant value lease buildings. The changes in the way in which the lease liability is accounted for under IFRS16 is also understood. However, work is ongoing to collate information in respect of: • lease agreements for c100 vehicles (included in the c200 above) that are due to end during 2024-25, where leases might be extended • detailed analysis from colleagues in the Council's Assets & Estates team in respect of low & medium value lease buildings as a lessee and lessor, including lease agreements. • establishing and applying an appropriate calculation methodology for PFI lease liabilities across all four PFI/PPP schemes in which the Council participates. The Council also notes that is has purchased and implemented specialist software to record and account for assets under IFRS 16.	There exists a Code requirement for local authorities to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. In addition, the IAS 8 accounting standard requires the disclosure of a reasonable estimate of the possible impact on the entity's financial statements that will arise on initial application of IFRS 16. The Council's disclosures do not address all points required by the standard and we have raised this challenge with management during the course of our audit work. Having discussed this matter with management, we acknowledge that: • based on the business activities of the Council and the population of identified vehicles (c200), it is not expected that the impact of application of the IFRS 16 standard will be material and as such this will not constitute a material disclosure to the financial statements. This assessment is based on 200 vehicles with a maximum operating lease value estimated at £20k per vehicle – totalling £6m. This is supported by the total remaining minimum lease payments for operating leases at note 39 which total £3.3m. Both values are not material. • IFRS 16 as an accounting standard in local government is not expected to materially impact the presentation and accounting for operating leases as a lessor • For the Council's four PFI/PPP schemes, some impact may arise due to the treatment of annual indexation under IFRS 16 requiring remeasurement of the liability as opposed to simply expensing to the CIES as 'contingent rents' under IAS 17. The additional complexity on initial application arising from the Authority being party to four PFI schemes may be reasonably expected to require additional time to work through and has therefore not been considered as a significantly deficiency in the Council's application of the Code in 2023-24, on the basis that the impact assessment has not yet been concluded in this area. Therefore, as per management's assessment, and to a material extent, the narrative disclosures presented in the draft financial statements have been considered to be compliant with Code requirements. Our work has been concluded in this area for the 2023-24 accounts opinion and work will re-commence following the Authority's initial application of the IFRS 16 standard in 2024-25. We have raised an improvement recommendation to reinforce the need for appropriate arrangements to be in place to support with the initial adoption of the IFRS 16 standard in 2024-25.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings: valuation of other land & buildings – £531m	Other land and buildings comprises £416m of specialised assets such as schools, leisure centres, 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 as existing buildings. The remainder of other land and buildings (£110m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end based on market comparables such as the capitalisation of passing rent (income approach) or the comparison to similar land & buildings on the open market (comparative approach). EUV assets include offices, public car parks, and council depots. There is an additional £5m of land & buildings held at historic cost which is not Code compliant albeit it does not represent a material issue. The Council has engaged Wilks, Head and Eve LLP to complete the valuation of properties as at 31 December 2023 on a three yearly cyclical basis. In the draft accounts around 56% of total other land & buildings (by value) were revalued during 2023-24 as disclosed in the revaluations table as shown in the draft accounts. The capital accounting function worked with its internal property surveyors to ensure the assets included in the population of assets to be valued offered appropriate coverage across the sub-types of buildings held, and the Council communicated significant changes to existing land & buildings, such as major refurbishments, repurposing, with the external valuers to be captured in the valuations, as the valuer considered appropriate. Management's approach included instructing their external valuer to value all assets with a carrying value greater than £5m on an annual basis to ensure that good coverage (based on £ values) would be achieved. Management has also considered the year end carrying value of land and buildings not valued in year to determine whether there has been a material change in the total value of these buildings. This assessment of assets not revalued in year has not identified a material change to these assets' current value compared with their carrying value as at 31 March 2024. Management's assessment was also performed for assets valued in year, with a valuation reference date of 31 December 2023, to determine whether any material movements were identifiable for the three months up to the year end of 31 March 2024. No material changes in current value were indicated from the Council's assessment and the carrying values of these assets were therefore not adjusted. The total year end valuation of land and buildings was £531m, a net decrease of £3m from 2022-23 (£534m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate • reviewed the assumptions used by the expert in the calculations, including the accuracy of gross internal areas (floor areas) • considered the valuation method used to revalue assets, and ensured that the method is suitable for the type of land or building • in relation to assets not revalued in the year, and those valued as at end December 2023, we have reviewed relevant cost- and market-based indices (e.g. BCIS & MSCI) to assess the appropriateness of management's assessment that the assets' carrying value is not materially different from their current value at the year end. This included considering changes in local market rents and yields for EUV assets (obtaining Huddersfield- and West Yorkshire-based data where available) Our work identified an impairment in relation to Almondbury Community School with a carrying value of £16.7m that has been closed and decommissioned from service. The impact of this impairment is detailed on page 49 of this report. In addition, our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m. This has not been adjusted by management on the basis that this is an extrapolated and not a factual error, and is not considered by management to be material to the financial statements. This unadjusted misstatement is set out in detail on page 51 of this report.	● Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions that are not fully supported with a clear rationale as to their relevance and appropriateness

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £90m	The Council has engaged Wilks, Head and Eve to complete the valuation of investment properties as at 31 December on an annual basis, as required by the CIPFA Code. A total of 96% of investment properties (by value) were revalued during 2023-24. Investment properties (including land assets) have been valued by a RICS-registered valuer as per Code requirements, with reference to market comparables and capitalisation of market-based rents using an appropriate yield, in line with accepted fair value valuation practices. The total year end valuation of investment property was £90m, a net decrease of £7m from 2022-23 (£97m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate, including property areas, leases, and passing rents • agreed, on a sample basis, land areas to title deeds and internal floor areas to AutoCAD floor plans, as appropriate • independently obtained market comparables for the Kirklees and West Yorkshire locality to assess the appropriateness of market rents and yields used in the valuation calculations.	● Amber We consider the estimate is unlikely to be materially misstated but have commented on page 13 in relation to £9.3m of investment property that is not revalued annually, contrary to the requirements of the CIPFA Code.
Land and Buildings – Council Housing - £825m	The Council owns 21,729 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 District Valuer Services to complete the valuation of these properties with a valuation reference date of 31 December 2023. To assess the current value of the council dwellings as at 31 March 2024, management challenged their external expert to undertake a market exercise for the first quarter of 2024, to determine whether there had been a material movement in the value of the housing stock in this period. This exercise reported that market indices, including data from HM Land Registry indicated a decrease in values totalling 2.5%. This was considered alongside the re-performance of a selection of beacon valuations to assess the relevance of Kirklees headline indices to the Council's asset base of council dwellings. It was concluded that the decrease should be applied and this resulted in a decrease in the carrying value of £20.7m, which was incorporated by management into the draft financial statements. The year end valuation of Council Housing was £825m, a net decrease of £13m from 2022-23 (£812m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate • confirmed the application of the 41% social housing discount factor. This is in line with the DCLG Stock Valuation Guidance 2016 • discussed the selection of the beacon with management's valuer to understand and assess how this is representative of the remaining properties in each archetype • independently obtained, on a sample basis, comparable properties from web sources that list sold properties (Zoopla, Rightmove) and assessed the appropriateness of the beacon valuation adopted by management's expert • we have reviewed the valuation for a sample of non-beacon properties with reference to the beacon valuation, and considered the appropriateness of adjustments made to triangulate a valuation for the variant. Where adjustments have been made for additional bedrooms, we have sought market data for sold properties (Zoopla, Rightmove) to appraise the valuation adopted for the variant. • reviewed market data and house price indices to corroborate the 2.5% year end decrease adjustment applied to the year end stock valuation.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension surplus – £144m (2023: net pension surplus £88m) IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'.	The Council's Local Government Pension Scheme net pension surplus at 31 March 2024 is £144m (PY £88m surplus) comprising the West Yorkshire Pension Fund Local Government Pension Scheme obligations. There is a £54m defined benefit pension liability relating to LGPS unfunded and Teachers pension obligations (2023: £59m). The Council continues to engage Aon to provide actuarial valuations of the assets and liabilities derived from this scheme. A full actuarial valuation is required every three years which was undertaken as at 31 March 2022 for LGPS. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension surplus, small changes in assumptions can result in significant valuation movements. There has been a £86m net actuarial gain for the Council's LGPS funded pension obligations during 2023-24. This improved position is largely a result of an increase in the discount rate with a decrease in the CPI inflation assumption.	We have: • Assessed the competence, capability and objectivity of management's expert, Aon. • Assessed the actuary's approach taken and deemed it reasonable. • Used PwC as an auditor's expert to assess the actuary and the assumptions applied – please see the table below. The PwC report has also indicated that they are comfortable with Aon's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2024 for all employers. • Confirmed the completeness and accuracy of the underlying information used to determine the estimate including performing additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation. • Corroborated the increase in the net pension surplus (£86m actuarial gain) to PwC's commentary. • Confirmed the adequacy of the disclosures in the financial statements and the consistency of the pension fund disclosures in the notes to the financial statements with the IAS19 report from the actuary. • Obtained assurances from the auditor of the West Yorkshire Pension Fund as at the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. • Confirmed that asset valuations were based on a 31 March 2024 valuation date.	● Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value (Aon)	PwC comments	Assessment
Discount rate	4.80%	Assumption appears reasonable.	● Green
Pension increase rate	2.60%	Assumption appears reasonable.	● Green
Salary growth	3.85%	Assumption appears reasonable.	● Green
Life expectancy – Males currently aged 45 / 65	22.3/21.0	Assumption appears reasonable.	● Green
Life expectancy – Females currently aged 45 / 65	25.2/24.2	Assumption appears reasonable.	● Green

Our work has not identified any evidence to conclude that key assumptions are not appropriate, in line with the table shown above. Detailed audit procedures and challenge of management with regards the IFRIC14 pension asset ceiling calculation indicated an asset ceiling of £144m, in line with that recorded in the draft accounts.

Overall, we are satisfied with the judgements made by management and its recognition of the net pension asset along with the supporting disclosures made in the financial statements.

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr><td>Grants Income Recognition and Presentation (note 37)

£691m</td><td>Management has taken into account three main considerations in accounting for grants, as set out in sections 2.3 and 2.6 of the Code:

1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Where the Council has determined that it is acting as an agent and it does not recognise grant income. Conversely, where the Council is acting as the principal and it has credited the grants and contributions to the Comprehensive Income and Expenditure Statement. Management's assessment considers relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements.
2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income
3. whether the grant is a specific or non-specific grant. General un-ringfenced and capital grants are credited to taxation and non-specific grant income and disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts.

There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and application of Code guidance.</td><td>The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.

As part of our audit work, we have performed the following:
• substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent
• for the samples selected, we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income
• assessed, for the sample of grants received, whether the grant a is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES (i.e. specific grants recognised above the line in net cost of services and non-specific grants recognised below the line in taxation and non-specific grant income)
• assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing.

Two disclosure adjustments affecting note 37 has been identified from our work. There is no overall impact on grants recognised in the CIES.
i. DWP – Rent Allowances – £33,057k presented in the draft accounts, adjusted to £30,885k (decrease of £2,172k)
ii. DWP – Rent Rebates - £29,796k presented in the draft accounts, adjusted to £31,968k (increase of £2,172k)
iii. Social Care Support Grant - £30,041k presented in the draft accounts adjusted to £29,810k (decrease of £231k)
iv. Other Revenue Grants and Contributions - £27,546K presented in the draft accounts adjusted to £27,777k (increase of £231k)</td><td>●
Green

(following audit adjustments)

We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td></tr>
</table>

2. Financial Statements: key judgements and estimates

Key estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £5.3m There continues to be an increased level of scrutiny from auditors following several cases of highly publicised financial challenges at certain local authorities with some resulting in S114 notices. Many of these high-profile cases involve MRP charges that on reflection were deemed to be inappropriate.	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt know as its Minimum Revenue Provision (MRP). The basis for the charge is set out in the regulations and statutory guidance. The Council publishes an MRP policy annually as part of its annual budget setting process, which is reviewed for compliance against statutory guidance and approved if concluded to be appropriate. The annual MRP charge for 2023-24 was £5.3m which was a £5m reduction on the prior year (£10.3m). This represents a 0.6% charge against the opening Capital Financing Requirement compared with 1.3% charge against the opening Capital Financing Requirement in the prior year. The Council changed a number of assumptions in the calculation of MRP in year but did not opt to explain changes to Members. We note that management initially did not consider that its MRP policy had not changed significantly such that no further explanation to members was considered necessary. The initial planned 2023-24 MRP charge was £11.9m. This has been reduced to £5.3m, which is made up of a £2.6m repayment on HRA debt and £2.7m for loan to KSDL deemed irrecoverable and therefore this amount has been provided for as a charge to revenue. The 2023-24 reduction has been achieved as a result of the changes to two assumptions in the calculation as explained below: a. The discount rate used in the annuity method has been increased to 4.89%. The effect of this is to profile the highest charges into later years. The annuity method takes into account the time value of money and the higher the discount rate used, the greater the effect of unwinding (profiling the highest charges in later years). Whilst the Council has used rates as at the year end, if the BoE base rate and PWLB rate fall to a lower long term average that 5%, this assumption may no longer be prudent. b. The period over which the MRP is being provided is now being calculated using a single weighted average asset life of 34 years. The effect of this change has been to increase the period over which the MRP charge is being made on assets acquired in the earliest years – e.g. the provision for 2016-17 spend is now being made over 34 years as opposed to 24 years. In this way the MRP is being provided over a period greater than the asset life, however, the Council notes that 2022-23 spend was expected to be provided over 35 years whereas this will now be 34, and as such the spend to date will be fully provided for over a shorter period than originally expected. In this regard, the Council considers its revised approach to be more prudent than the former method. Paragraph 35, Asset Life Method of the statutory guidance states that "Where capital expenditure on an asset is financed wholly or partly by borrowing or credit arrangements, MRP is to be determined by reference to the useful life of the asset." As such, the statutory guidance does not explicitly set out whether a weighted average is approach is most appropriate by the overarching principle per paragraph 23 is for prudent provision to be made, which the Council considers to be appropriately satisfied.	• The MRP policy & calculation is compliant with all relevant requirements of DLUHC, MHCLG & the Prudential Code. • We compared the MRP charge as a percentage of the Capital Financing Requirement. Typically, we would expect the charge to be around 2% representing an asset life of 50 years. For the Council, the 2023-24 charge equated to 0.6% of the opening CFR (or a 166-year asset life) due to a previous Council-identified overprovision of £9m being factored into 2023-24. If this were excluded the % stated would be 1.66% giving a life of 59 years. • We understand a key reason for the debit to General Fund being lower than expected is the annuity methodology applied, which creates an increased charge over time with the highest annual debits to general fund occurring in the final years. Assuming no new borrowing is taken, the charge is set to peak in c33 years at around 580% of the 2024-25 level. The annuity method it is a permitted option albeit it does create potentially greater budget pressures in future years. • Those charged with governance are required to monitor the MRP charge annually, and understand the long-term impact of the charge's profiling, as a matter relevant to their oversight of the financial reporting process. This has been emphasised during discussions with management and we have observed that a treasury management update paper was presented to Corporate Governance and Audit Committee in December 2024 that explained the longer-term impact of the change in the MRP calculation assumptions to Members. • Following consultation, MHCLG has clarified and updated the regulations and the statutory guidance for minimum revenue provision. Although these take full effect from April 2025, the consultation highlighted that the intention was not to change policy, but to clearly set out in legislation the practices that authorities should already be following. • This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute. No non-compliance with this requirement identified. **This finding has been captured in our reporting on the Authority's arrangements to secure value for money and is linked with the significant weakness identified in respect of governance. A key recommendation has been raised in our Auditor's Annual Report, as summarised on page 5 of this Audit Findings report.**	● Amber We consider management's process contains assumptions that we consider to be optimistic The application of CIPFA Code and statutory guidance is considered to be towards the aggressive end of the acceptable range

2. Financial Statements: Information Technology

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

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

SAP was the only IT application reported as 'in scope' in our audit plan dated 9 April 2024. Early IT audit work identified that single-sign on (SSO) was in use at the Council which as resulted in Active Directory also coming into the scope of our IT audit work. Active Directory is a Microsoft directory service used to manage devices, users, domains, and objects within a Windows domain network. Active Directory has been brought into scope since SSO means that it indelibly linked with SAP user access rights (security management).

Four 'improvement opportunity' recommendations have been raised overleaf in respect of SAP. Five recommendations were brought forward from the prior year, of which two have been fully addressed and three remain outstanding.

			ITGC control area rating		
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure
SAP	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Green	● Green
Active Directory	ITGC assessment (design and implementation effectiveness only)	● Green	● Green	● Grey	● Grey

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements (red)
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk (amber)
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope (red)
- ● Not in scope for testing (grey)

2. Financial Statements: Information Technology

Assessment	Issue and risk	Recommendations
Green	**Inappropriate access to configure and delete audit log in production** During our review, we noted that twelve (12) users had the ability to both configure and delete audit logs via SAP T-Codes SM19 and SM18, respectively. These users were understood to be IT officers from the BASIS and HD-One teams. **Risk** Access to audit log configuration (via SM19) within SAP gives users the ability to create, modify or delete audit logs owned and configured by other users. Where this ability is not appropriately restricted, audit logs may not be sufficiently maintained. Sufficient logs may not be available in the event of investigations for error or fraud detection.	Management should segregate a user's ability to configure (SM19) and delete (SM18) user security event logs within production. We also recommend the management also review the assignment of this access. Where possible, limit users with these privileges assigned to members of the System Support and related service teams. Any users that do not require these privileges in an ongoing manner to perform their job role should have this level of access removed. If for operational reasons access cannot be fully segregated, alternative options to mitigate the risk could include usage of Firefighter accounts with a set validity period based on formal approvals. **Management response:** *HD One and the Basis team require elevated access which, as part of the application, gives them access to SM18/SM19. SM19 is an integral part of this elevated access; it cannot be segregated from SM18; to do so would prevent them carrying out their jobs.* *The number of staff with this access has been reduced to the smallest number possible. All access is logged within SAP as standard, and this will be reviewed periodically with the teams concerned. It is also available for internal audit if required.* *We have reasonable and proportionate controls in place to manage this risk.*
Green	**Segregation of duties conflicts between SAP change develop and implementer access** During our audit, a segregation of duties conflict was observed for the following users: • SAPSUPPORT • BYRNEC These users were assigned SAP development key along with ABAP developer access in the development environment (via SAP T-Code SE38 or SE37 or SE80 or SE11 or SE11_OLD or SE13 or SE14) and transport access in the production environment (via T-Code STMS with S_TRANSPRT and RFC authorisations). We also observed that there was no proactive monitoring in place to verify the appropriateness of any developers also implementing their own changes. We reviewed the TPALOG reports from both development and production environments and noted that there was no transport developed and import to production environment by same users during FY22/23. **Risk** The combination of access to develop changes and the ability to implement those changes in production is a segregation of duties conflict that could lead to an increased risk of inappropriate or unauthorised changes to data and programs being made.	Management should review this access assignment to ensure developers do not also have access to transport utilities in the production environment that would allow changes to be implemented. Where management believes for operational reasons, this access cannot be fully segregated a risk assessment should be undertaken and other mitigating controls considered (i.e. periodic monitoring of changes to identify those with the same developer and implementer and verify appropriateness). **Management response:** *Please note, all development work is undertaken by a separate IT team and the BASIS team implements those changes. Transport keys are therefore essential to their roles.* *The developer key for SAPSUPPORT has been previously removed.* *The SAPSUPPORT user has been removed in production and replaced by a distinct user (SAPPRODSUP) without transport authorisations. The user will be locked and delimited unless it is required. A screenshot of this new user's role has been attached separately.*

2. Financial Statements: Information Technology

Assessment	Issue and risk	Recommendations
Green	**Improvements to privileged generic account management** During our audit, we observed 3 generic dialog accounts that had privileged access within SAP. These three accounts were used by third party support consultants. We noted that the activities performed via these generic accounts were not proactively monitored by management to ensure they were only used for approved reasons. **Risk** Activities performed via shared generic accounts may not be linked to specific individuals, eroding accountability. Unauthorised transactions performed via these accounts may not be detected.	Management should consider performing an evaluation of the appropriateness and necessity of the generic accounts identified. This should include consideration of whether: • Activity could be performed through individually named users accounts with generic accounts reduced and only used for specific pre-approved activity; and • Accounts within the SAP application could be made into 'SYSTEM' user type, to allow them to run background jobs but not be directly accessible for login. • If accounts are obsolete or not-in-use and if they could be disabled or deleted. Where these controls will be owned / operated by external organisations management should consider disabling the accounts and only enable these accounts on need. Activities performed by the third parties should be monitored. **Management response** • *These accounts are required contractually and used solely by trusted 3rd party support partners. All activity by these accounts is recorded in SM20 and available for auditing and review if required. The accounts are locked when not in use and access only granted by arrangement with the BASIS team which includes registration of the named consultant that will connect to the system.* • *As previously noted, we have reasonable controls in place to manage any risk associated with this item.*
Green	**Sharing password protected document for Active Directory generic accounts** During our review, we noted that six (6) generic administrative accounts were shared and passwords for these accounts were stored in a password protected word document, which was accessible to the Server team on SharePoint. In additions, there was no mechanism to monitor the usage of these generic privilege accounts. **Risk** Sharing password-protected documents on SharePoint presents several risks, including the potential for unauthorized access, difficulties in managing and tracking access to the passwords, and the possibility of passwords being compromised.	Where possible, privileged generic accounts should be removed, and individuals should have their own uniquely identifiable user accounts created to ensure accountability for actions performed. Alternately, management should implement suitable controls to limit access and monitor the usage of these accounts (i.e. by using a password vault tool, logging and periodic monitoring of the activities performed). Where monitoring is undertaken this should be formally documented and recorded. **Management response** *This spreadsheet is secured in a protected SharePoint site that is only accessible to the server team. It contains service account details that cannot be securely stored in another location and only the Server Team can access this file.* *The Council believes the mitigating controls are proportionate to the risk presented.*

Assessment

- Significant deficiency – ineffective control/s creating risk of significant misstatement within financial statements and / or directly impact on the planned financial audit approach.
- Deficiency – ineffective control/s creating risk of inconsequential misstatement within financial statements and not directly impacting on the planned financial audit approach.
- Improvement opportunity – improvement to control, minimal risk of misstatement within financial statements and no direct impact on the planned financial audit approach.

2. Financial Statements: Information Technology – Prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Inappropriate access to configure and delete audit log in production	This issue has been partially remediated. In our previous finding we noted fifteen (15) users, this has decreased to twelve (12) users for critical transactions in FY24. Please refer to finding no. 1 on the IT general controls assessments section.
X	Segregation of duties conflicts between SAP change develop and implement access	This issue has not been remediated. In our previous finding we noted one (1) user, this has increased to two (2) users for critical transactions in FY24. Please refer to finding no. 2 on the IT general controls assessments section.
X	Improvements to privileged generic account management	This issue has not been remediated. Please refer to finding no. 3 on the IT general controls assessments section.
✓	Insufficient formal process in managing SAP self-assigned roles	This issue has been remediated. Inspected the listing, we noted that there were no instances of self assigned roles or profile during the audit period.
✓	Insufficient formal process in managing vendor accounts in SAP	This issue has been remediated. GT obtained appropriate approvals to evaluate the use of vendor IDs with logging and review and noted no exception. Further GT also noted that SAPSUPPORT1 and SAPSUPPORT2 were also not used in this audit period.

Assessment

✓ Action completed

X Not yet addressed

2. Financial Statements: Internal Controls

Transaction cycle	Effectiveness of the system of internal control	Basis of assessment
Valuation of other land & buildings including council dwellings	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Valuation of investment properties	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Valuation of defined benefit net pension balance	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Management override of controls – Journal entries	Designed effectively, with no control deficiencies identified	Documentation and assessment of the design effectiveness and implementation of internal controls
Other	Our assessment detailed above has been performed in line with requirements as per ISA (UK). If we were to have performed more extensive procedures on internal controls, beyond ISA (UK) requirements, we may have identified more deficiencies to be reported.	

2. Financial Statements: other communication requirements

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	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance & Audit Committee. We have not been made aware of any significant incidents in the period 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 appropriately 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, which will be presented to management and those charged with governance prior to giving the audit opinion.
Audit evidence and explanations	All information and explanations requested from management were provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks and counterparties that hold the Council's deposits. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements. Some presentational changes were identified and reported to management – these are noted at Appendix D.
Audit evidence and explanations / significant difficulties	All information and explanations requested from management. We would like to thank the Council officers for their help and support during the audit process.

2. Financial Statements: other communication requirements

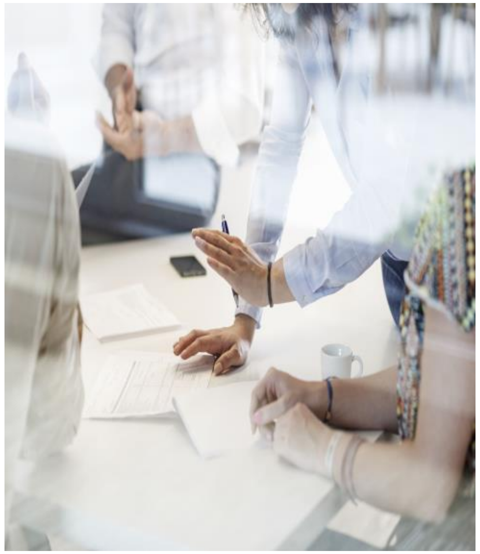
Our responsibility

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the group's and Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the group and Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the group and Council and the environment in which it operates • the group's and Council's financial reporting framework • the group's and Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified for either the group or Council • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: 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 is 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. We plan to issue an unmodified opinion in this respect – refer to Appendix G.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. 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 in prior years, only limited work is expected to be required on this, as the Group and Council is not expected to exceed the audit threshold in 2023-24.
Certification of the closure of the audit	We cannot issue the audit certificate until we have completed our review of the Council's Whole of Government Accounts (WGA) submission and completed our work on the two public Objections we received on the 2023-24 accounts. We will keep management informed of our work in these areas and issue our certificate as soon as possible.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023-24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which will be presented to Corporate Governance and Audit Committee in January 2025, incorporating management's responses to the Key Recommendations identified below.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weaknesses we identified are detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to these significant weaknesses in arrangements, as required by the Code, see Appendix G.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Financial Sustainability – sufficiency and resilience of the general fund reserves position, management of budgetary pressures & Weaknesses in the Council's overall financial standing	We held discussions with senior management to understand the view of senior officers on the Council's financial position and actions being taken to strengthen the reserves position, and work to a position where general fund reserves are not required to support the day to day revenue budget. We reviewed relevant budget report and the Medium Term Financial Plan and challenged management on the appropriateness of assumptions and sufficiency of usable reserves balances. We benchmarked the Council's position against other Local Authorities in similar positions.	This significant weakness was first reported in our 2021-22 Auditor's Annual Report. Since then, management has made progress in identifying the key drivers of annual budget imbalance, and developing savings plans for the Council to achieve financial balance. The Council has improved the process for generating and monitoring savings, having changed the focus from one off items, and the Council has a plan to increase reserves, though there are still significant budget pressures arising in year and available reserves have reduced. There is further work required to: • manage budget and demand pressures arising in year more closely and implement timely mitigations • ensuring pressures, growth, assumptions and future savings levels are accurately captured in the MTFS which should offer a more realistic baseline budget. • determine the target level of reserves it wishes to achieve in future years of the MTFS	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, due to be presented to CGAC in January 2025.
Financial Sustainability – Management of the DSG deficit position	We held discussions with senior management to understand their views on the Council's progress in meeting the Department for Education's revised target of eliminating the DSG deficit by 2030. We reviewed relevant reports and detailed recovery plans and challenged management on the appropriateness of the assumptions used. We assessed the Council's current position against the revised plan and noted that the Council is once again 'off-track' with its delivery.	This significant weakness was first reported in our 2022-23 Auditor's Annual Report. At the end of the 2023-23 financial year, we were not satisfied that the Department's target was reasonably achievable and at that point the Council was 'off-track' against its agreed recovery plan with the DfE. In 2023-24, the Council agreed a revised pathway with the Department that set a revised date of 2030 to eliminate the DSG deficit. For 2024-25, the Council is forecasting a DSG deficit of £61m at outturn compared with the Safety Valve agreement plan of £50m. At the time of reporting, the Council is under-delivering on the revised Safety Valve agreement.	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, due to be presented to CGAC in January 2025.

3. VFM: our procedures and conclusions

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Improving economy, efficiency and effectiveness - compliance with the Social Housing Regulator standards	We reviewed the Regulatory Notice published by the Social Housing Regulator following a self-referral from the Council after failing to meet statuary health and safety requirements in some council homes. The Council self-referred itself to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements.	Consistent with the reporting from the Social Housing Regulator, our work identified that the Council has outstanding actions in relation to: • fire remedial actions resulting from fire assessments • repairs required to address damp and mould • water quality testing. These have been referenced in the Key Audit Recommendation raised in our VfM report.	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, due to be presented to CGAC in January 2025.

4. Independence considerations

As we are Statutory Auditors of the Council in the United Kingdom ("UK"), we are required to follow International Standard on Auditing (UK) 260, the Ethical Standard (December 2019) issued by the UK Financial Reporting Council (the "FRC Ethical Standard" or "The Standard") that are relevant to this engagement.

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

All the above referenced Standards require that we communicate at least annually with you regarding all relationships between Grant Thornton UK LLP in the UK ("Grant Thornton UK") and other Grant Thornton firms and associated entities ("Grant Thornton") and covered persons (as defined in the FRC Ethical Standard) and the Council, its directors and senior management and its affiliates ("the Group") that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity.

The FRC Glossary of Terms – Ethics and auditing defines a 'covered person' as: a person in a position to influence the conduct or outcome of the engagement.

In this context, we report the following independence matters to you:

All members of the engagement team and all covered persons within Grant Thornton UK LLP have confirmed their independence from Kirklees Council and its group entities.

No gifts and hospitality have been accepted by members of the engagement team or covered persons from the Kirklees Council and its group entities.

In the context that this is a public sector audit engagement, no work has been undertaken on this engagement by other Grant Thornton firms or member firms overseas.

We have received confirmation that our directly engaged auditor's expert for property valuations, Gerald Eve LLP, is independent of the Council.

We have received confirmation that our auditor's expert for IAS 19 defined benefit pensions, PwC, is independent of the Council. PwC were engaged to undertake this role by the National Audit Office (NAO).

We have not identified any independence issues to report.

We confirm that the fees from non-audit services subject to cap do not exceed 70% of the audit fee (taking the average over the previous three years).

Once the Financial Reporting Council's Ethical Standard is applied to the fourth accounting period, the permitted level of non-audit fees for that period cannot exceed 70% of the audit fee. Based on the current fees, this would not have an impact on the non-audit services that we would be able to provide to you.

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.

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 at Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. Independence considerations

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

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

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

4. Independence considerations

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 Group and Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit claim	68,506 [TBC on completion of the work]	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 £68,506 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the form MPF720A submission and are carrying out work on the information submitted to the Department for Work and Pensions (DWP) by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to DWP)	We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time. If any amendments need to be made to form MPF720A as a result of the reporting accountant's work, these will be discussed and agreed with the member of informed management who is authorised by the Service Director Finance to make these amendments. Amendments to the form can only be made by local authority staff and are initialled by the authorised signatory (the Service Director Finance (s151)). We agree the factual accuracy of our findings with a member of informed management before issuing it to the DWP. We are satisfied from previous experience that the purpose of our testing and the potential impact of our findings on the form is understood by a member of informed management.
Certification of Initial Teacher Training grant	5,286 [TBC on completion of the work]	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 £5,286 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to the Department for Education)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by Department for Education and on its completion issue a report of factual findings. We will discuss any amendments and factual findings with the Council's Responsible Finance Officer as a member of informed management. The Council's finance managers will make their own decisions whether to amend for any errors identified and the local authority and the DfE form their own conclusions on the report.

4. Independence considerations

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 Group and Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers' Pensions return	12,500 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to Teachers' Pensions)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by Teachers' Pensions and on its completion issue a report of factual findings. We will agree any amendments and factual findings with the Council's Responsible Finance Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. The Council's finance managers will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to Teachers' Pensions.
Certification of the Pooling of Housing Capital receipts	10,000 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the submission and are carrying out work on the information submitted to DLUHC by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to DLUHC)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by DLUHC and on its completion issue a report of factual findings. The local authority and DLUHC form their own conclusions on the report. The report is restricted to those parties who have agreed to the procedures to be performed (being the local authority and DLUHC).

4. Independence considerations

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 Group and Council. The following non-audit service was identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of compliance with subcontracting funding rules Education and Skills Funding Agency – post 16	10,000 [TBC on completion of the work]	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £451,736 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to the Education & Skills Funding Agency)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by the Education & Skills Funding Agency and on its completion issue a report of factual findings. We will agree any amendments and factual findings with the Council's Responsible Finance Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. The Council's finance managers will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to the Education & Skills Funding Agency.

These services are consistent with the Council's policy on the allotment of non-audit work to your. All of the audit-related services listed above were communicated in our Audit Plan to your Corporate Governance and Audit Committee at its meeting on.

None of the services provided are subject to contingent fees.

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

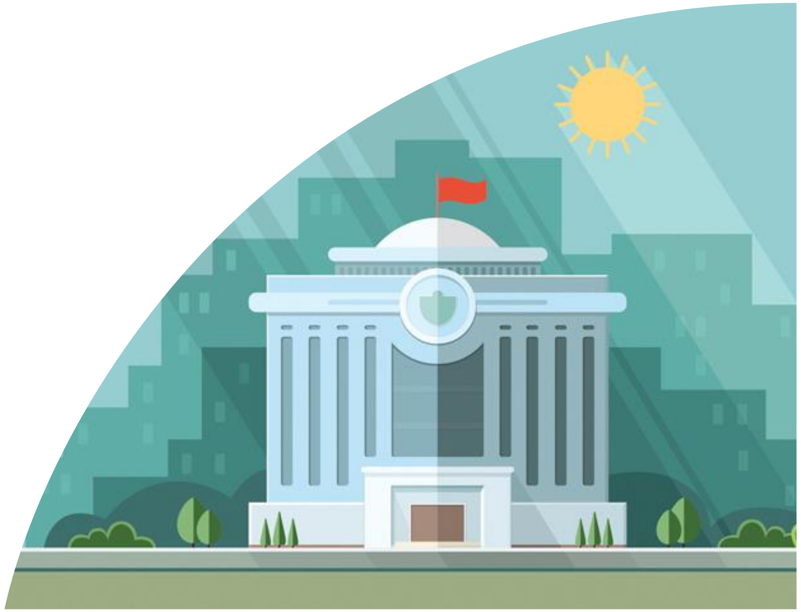
C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Management Letter of Representation

G. Audit opinion



A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern including support measures when making the going concern assessment	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Details of any breaches of the requirements in this Ethical Standard, and of any safeguards applied and actions taken by the firm to address any threats to independence	•	•
Details of any inconsistencies between this Ethical Standard and the policy of the entity for the provision of non-audit / additional services by the firm and any breach or apparent breach of that policy	•	•
Key audit partners involved in the audit		•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		•
Methodology used to perform the current year's audit and details of any substantial variation between system and compliance testing from the previous year		•
Quantitative level of materiality determined and qualitative factors considers in its determination		•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		•

Our communication plan	Audit Plan	Audit Findings
Significant difficulties encountered during the audit		•
Significant matters arising in connection with related parties		•
Other matters that are significant to the oversight of the financial reporting process		•
Confirmation of independence of external experts or other auditors used as part of the audit		•
Valuation methods employed and impact of changes to methods		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Confirm all requested explanation and documents have been provided		•
Distribution of tasks amongst auditors where more than one auditor has been appointed		•
Identify work performed by component auditors outside of the GTIL network in relation to consolidated financial statements		•
Scope of consolidation and compliance with financial reporting framework		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

Our Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings Report is issued prior to approval of the financial statements and presents key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

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

Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified a total of five recommendations for the Council 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 our 2024-25 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	**1. Outlier data used in the calculation of the annual leave accrual:** The calculation of the year end accrued leave creditor is based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative & owed to Council) and the highest at 315 days accrued. The average is 11 days but the middle value (median) is almost half of that at just below 6 days. This has given rise to some estimation uncertainty in the calculation of the accrual albeit not material. Using the median value rather than the mean would reduce the accrual from £12.9m to £6.7m (fall of £6.2m).	For the year end annual leave accrual to be calculated with a greater degree of precision in 2024-25, we recommend that a data collection exercise takes place in the remaining months of the financial year and any outliers are appropriately challenged by management. We also note that there is a budgetary control & management aspect too in that we would expect the control environment to support the monitoring of annual leave being taken to ensure this aligns with the Council's business need. Whilst leave appears to be being taken in line with the Council's Employee Handbook, the high degree of freedom involved could give rise to resourcing challenges arising from an excessively unbalanced profiling of leave across financial years. Management response: ***The accrual is an estimate based on a sample of employees over a range of services taken at a point in time. The sample was used to calculate an average number of days leave and flex and applied to employee numbers and salary costs and the £12.9m sits within unusable reserves.*** ***Outliers cannot be eliminated as that is part of the sample, however management note the potential impact and use of the median will be considered when sampling is repeated (this is done every three years).***
Low	**2. Employee Handbook – Document Out of Date:** To assess the arrangements for officers to carry forward untaken leave, we obtained a copy of the Employee Handbook, that sets out the terms and conditions of service. Our review highlighted that this was last updated October 2015. This is a key document and around 9 years since its last update, there may have been changes in the working environment, one of these may be the Council's protocols in respect of hybrid and remote working.	To satisfy proper governance protocols of maintaining an up-to-date suite of Council policies, we recommend that this Employee Handbook document should be updated to capture changes in the working environment and the Council's working practices and policies. We would suggest that this be completed within the next six months. Management response: ***Noted and to be reviewed, though it should be recognised elements of the handbook have been updated during the period (such as pay scales).***

Key

Assessment	Auditor's Explanation
High	Assessed as giving rise to giving rise to a possible risk of material misstatement in respect of the financial statements or significant gap in the Council's control environment.
Medium	Assessed as give rise to giving rise to a risk of misstatement in excess of trivial but that is not material in respect of the financial statements or represents a clear gap in the Council's control environment that is not deemed significant but that in our view should be addressed and rectified within the following financial year to mitigate the risk.
Low	Assessed as giving rise to a risk of a trivial misstatement in respect of the financial statements. For the Council's control environment, this would represent the Council adopting what the auditor deems to be best practice methodology in the local government sector.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low	**3. Adult Social Care – Client Contributions – accurate recording in general ledger:** Our work on testing fees and charges – adult social care client contributions identified a sample with an annual contribution value in the general ledger of £72,500 but where the individual's financial assessment supported the Council to collect a total annual client contribution of £4,784. Whilst the client has been invoiced as per their financial assessment and this does not give rise to a material issue in the annual accounts, the Council should ensure that transactions are accurately reflected in its general ledger.	We understand from management that a direct interface is required between the Mosaic system (adult social care subsystem) and general ledger to prevent such errors from occurring. The Adults service confirmed to external audit that work has commenced to develop the interface, however, it was not part of the original Mosaic Go Live in February 2024 and it still needs further development and testing before it can be made live. Our recommendation is for this workstream to continue to be progressed with an implementation date set for the beginning of the 2025/26 financial year. We would also recommend that service accountants conduct an additional reconciliation/review procedure during 2025 closedown to identify any errors prior to draft accounts being produced. Management response: *Systems interfaces and reporting streams are being worked on currently as part of the ongoing Mosaic Implementation workstream. There is a planned approach with a programme of changes being implemented from a data engineering perspective, that will allow for all the necessary checks to be made as part of ongoing monitoring, and during closedown.*
Medium	**4. Investment Property – Ensuring Code compliance in respect of the requirement for and annual revaluation of the whole asset class** Investment properties are required to be revalued annually in accordance with the CIPFA Code. As at 31 March 2024, there were investment properties totalling £9.2m which have not been subject to annual revaluation, which is not compliant with Code requirements. Management asserts that investment properties below £250k are de minimis and trivial to the overall balance of investment property by the Authority. The value of this sub-£250k population currently excluded from the Code requirement for an annual valuation has risen in recent years towards our audit performance materiality threshold of £11.3m. With continued increases, there is a risk that the Council does not comply with CIPFA Code requirements, to a material extent, which could impact on the auditor's opinion in future periods.	Management should reconsider and adjust the threshold for investment properties subject to an annual valuation to ensure the accounting practices adopted by the Council remain compliant with Code requirements. Management response: *Of the £9.2m assets not valued in 2023/24 the HRA represents £5.6m and the GF £3.6m. The Council applies a de-minimis threshold for annual revaluation due to impracticality and the cost of revaluing every asset annually when these values would not significantly change year on year (i.e. will not cause a material misstatement).* *Management are also expecting future Code amendments to reduce the audit focus on these items, following recent comments from the National Audit Office, CIPFA and PSAA. We feel it is relevant to advise that this process has been agreed with the two previous Key Audit Partners at GT and been in place for the last 5 years' audits and accepted.*

Key

Assessment	Auditor's Explanation
High	Assessed as giving rise to giving rise to a risk of material misstatement in respect of the financial statements or significant gap in the Council's control environment.
Medium	Assessed as give rise to giving rise to a risk of misstatement in excess of trivial but that is not material in respect of the financial statements or represents a clear gap in the Council's control environment that is not deemed significant but that in our view should be addressed and rectified within the following financial year to mitigate the risk.
Low	Assessed as giving rise to a risk of a trivial misstatement in respect of the financial statements. For the Council's control environment, this would represent the Council adopting what the auditor deems to be best practice methodology in the local government sector.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**5. Use of recharges in the Council's financial statements without supporting data and a reconciliation process to verify the validity of these recharges:** The Council currently uses a number of recharges in the financial statements. These are used to allocate costs to services to record the total cost of delivering each service which supports the Council's budget management and financial monitoring. There are also a number of instances when an internal service deliver services for another service – for example, repairs carried out on a Council-owned school by building services would result in an internal recharge to the school's budget. From a financial accounts perspective, this internal charges should be eliminated as they do not represent income and expenditure with third-parties. Leaving internal transactions in the accounts serves to gross up both income and expenditure but are not a true reflection of the quantum of the Council's transactions with third-parties in any given year. Currently, the procedures for recording and coding recharges in the general ledger are not sufficient to be able to match income and expenditure recharges and eliminate these out of the accounts. The current process is to record an amount for income recharged and designate this as Income - Internal Recharges at note 9 in the accounts, however, this cannot be matched against the expenditure to be recharged and therefore, the accuracy and validity of this value cannot be practicably demonstrated to external audit. The Council has made some progress already given it has removed some recharges being made in respect of the HRA – previously Homes and Neighbourhood officers' pay costs were being recharged to the HRA. These costs are now being charged directly to the HRA account. The impact of this change has been a £36m reduction in employee benefits expenditure disclosed at note 9, which is offset by the reduction in internal recharges (internal income). This change in accounting has eliminated the need for an internal recharge and it is our view that this has brought about simplification in respect of both the accounts closedown and audit process. As external auditors, we would encourage the Council to continue with its endeavours to simplify its internal accounting processes.	As external auditors, our focus is to verify the accuracy and validity of transactions recorded in the financial statements and there may be several options open to the Council to respond to this recommendation. One option may be to pursue a similar course of action to that undertaken on HRA – Homes and Neighbourhood employee expenditure where the option for the recharge mechanism has been removed with all charges now made directly to the housing service (HRA account). Another option may be to improve the coding and transparency within the general ledger so that recharged transactions can be eliminated on preparation of the financial statements. Since we are now towards the later stages of the 2024-25 financial year, it may not be possible to implement a full response to this recommendation in advance of next year's accounts closedown and financial statement audit but we would encourage officers to progress this recommendation to the extent possible in the remaining months of the 2024-25 financial year. Management response: *Noted and the Council has commenced a process to reduce the number of recharges and reduce the administration around the process.*

Key

Assessment	Auditor's Explanation
High	Assessed as giving rise to giving rise to a risk of material misstatement in respect of the financial statements or significant gap in the Council's control environment.
Medium	Assessed as give rise to giving rise to a risk of misstatement in excess of trivial but that is not material in respect of the financial statements or represents a clear gap in the Council's control environment that is not deemed significant but that in our view should be addressed and rectified within the following financial year to mitigate the risk.
Low	Assessed as giving rise to a risk of a trivial misstatement in respect of the financial statements. For the Council's control environment, this would represent the Council adopting what the auditor deems to be best practice methodology in the local government sector.

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**6. Maintaining up to date knowledge of the Council's buildings estate:** Our audit work has identified examples where changes to the function, internal floors areas of buildings within the Council's buildings portfolio including one school that has been taken out of service, and these changes in estate have not been notified to the finance function or management's external expert valuer. In the cases identified, decisions appear to have been taken by the service but the relevant information and likely impact on the buildings portfolio, has not flowed to the capital finance team to be considered and reflected as appropriate in the annual accounts. The recommendation is not being made to suggest that proper governance procedures have not been followed in the decision making, but that the free flow of information and fluid communication between Council functions has not taken place as could be expected. This has resulted in additional challenge of Council officers during the external audit process and also two resulting audit misstatements have been identified: i. Impairment of Almondbury Community School totaling £16.7m which closed 31 August 2020. Expectation that this is to be demolished for the site to accommodate a new SEN school – impaired down to land value. ii. Our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m.	Our recommendation would be for management to build in additional communication between each relevant service, estates, the capital finance team and the external valuer. This would include identifying key changes to buildings such as closure / decommissioning, a significant change in opening hours, repurposing and marketing a building for sale. It is noted that building refurbishments and extensions appear to being captured at present and therefore, we do not consider that further enhancements to existing procedures are required. Management response: ***Noted. This has not been a problem in previous years. This year though, three individuals covered the internal surveyor role in less than 12 months; however the surveyor has now settled in post so improvements are expected and regular finance/estates meetings proposed.*** ***There has also been a significant increase in the number of changes to the estates which are ongoing such as closure, disposals and change of use. Building measurements information to be resolved by Assets and Estates.***
Medium	**7. Additions posted in quarter 4 (post valuation) for other land & buildings and council dwellings** The Council currently uses a valuation reference date of 31 December each year, which it considers Code compliant and to be sufficiently close to the reporting date for the valuations to be reflective of the assets' current value as at the end of March. All capital spend posted as capital additions is currently accounted for by the Council as value enhancing, and therefore it does not give rise to any immediate impairment of the spend capitalised. For spend capitalised in quarters 1 through to 3 (pre-valuation), the current arrangements may be considered appropriate since the Council's valuers are able to undertake an assessment of whether capital spend is value enhancing or non-enhancing, and either support the new carrying value or impair the asset down to its pre-capital addition carrying value, as appropriate. However, for capital spend posted in quarter 4, current arrangements do not afford the expert land & buildings valuers an opportunity to assess whether amounts capitalised should increase the net book value or alternatively, be capitalised and impaired concurrently. Non-enhancing capital additions that are posted in quarter four of a financial year would be impaired, where appropriate, at the time of their subsequent valuation in the following financial year. The recommendation to enhance arrangements would enable the Council to further ensure that the year end carrying value of land & buildings is appropriate.	The capital accounting function should consider how current processes can be enhanced to appropriately identify non value enhancing capital spend posted in quarter 4 of the financial year, and for this to be impaired so that the closing valuation of land & buildings is not overstated. This may include additional working with the Council's external expert valuers, to build in additional process steps in order to address this matter. A robust approach to address this matter would be to move the valuation date to 31 March to align with the financial year end. This would enable the expert valuer to be presented with all relevant capital spend to make their assessment on a given asset's year end valuation. Management response: ***Noted. However, the Council cannot move the valuation date to 31 March as this would not allow the statement of accounts to be completed by the statutory deadline date. The current approach is based on a pragmatic methodology to ensure that the balances are materially correct.***

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**8. Appropriate challenge by management of the external valuer on the valuation approach – Mainstream schools & Energy from Waste Facility:** Management response to the valuation challenge raised by external audit in relation to the valuation of schools and the energy from waste facility. i. **Valuation of mainstream schools** – in the Council's accounts, schools have been valued based on their 'as built' size. The CIPFA Code prescribes that operational land & buildings should be valued based on a modern equivalent that would deliver an equivalent level of service. For schools, the commonly observed approach to value mainstream schools is by using Building Bulletin 103: Area Guidelines for Mainstream Schools, which offers a calculation for the required gross internal area (m2) based on the actual number of pupils on roll. The Council's external valuer has not used this approach with the valuation based on the 'as built' size. The response to auditor challenge has been that current approach is considered appropriate. The audit team challenged our own auditor's expert to undertake additional work in respect of the valuation of schools since Kirklees Council is an outlier in terms of the valuation approach adopted for mainstream schools. Our expert reported to us that some schools would likely be of a similar value using the pupil numbers approach, a number would decrease in value and some were indicated to increase in value. They reported it would not be practicable to draw meaningful conclusions across the whole population of mainstream schools based on the sample checked of around 10 schools. We have therefore drawn our audit conclusion that our expert's work does not indicate any material misstatement exists in respect of this schools subpopulation, however, we are of the view that the Council should develop a clearer rationale as to whether BB103 pupil numbers would be an appropriate valuation methodology for the Council and whether this would give a more true and fair valuation of mainstream schools in the Council's accounts. ii. **Valuation of the energy waste facility** – in the Council's accounts, this asset has been valued at £12m based on its end life being 2028 giving a 4-year remaining useful economic life. It is understood that the Council is considering its options beyond the end of the current contract with Suez Recycling and Recovery in 2028. A Cabinet paper dated April 2024 suggests that £25m of capital investment would be required to maintain current operations beyond 2028. A new-build facility is estimated to cost north of £120m and so we have challenged whether the £12m is an appropriate valuation or whether the value should be higher than than based on the fact that the Council will obtain the operational capacity close to that of a new facility with only £25m of capital investment. Our challenge concluded this year on the basis that the Council engaged a RICS registered valuer to conduct the valuation but we note that it would be beneficial for Council officers to conduct additional stand-back reviews of the valuations provided, which in this case may include reviewing valuations against actual build costs or those publicly available from other authorities.	For the two asset valuations identified, we recommend working with its internal surveyors to discuss and jointly understand the relevant factors around the valuations in question such as current usage, expected remaining service life, capital lifecycle and renewal costs expected in future accounting periods. Particularly for schools, it may also be appropriate to consider whether pupils on roll at a number of schools are broadly stable year-on-year and could therefore be used as a basis for an asset valuation. Management should ensure it is working constructively with its external valuation expert, including raising challenge where appropriate, to ensure that the assumptions and methods that underpin its asset valuations have a sound rationale tailored to local factors and conditions at Kirklees Council. Management response: ***Management and its expert believe that the Council's methodology is appropriate. We will however continue to assess the impact of methodological differences and ask the new valuer their opinion and approach to valuing these assets alongside the internal surveyor and asset managers.***

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**9. IFRS 16 'Leases' implementation from 1 April 2024:** IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. This is a shadow year (23-24) for the implementation of IFRS 16. IFRS 16 updates the definition of a lease to: "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration." In the public sector the definition of a lease is expanded to include arrangements with nil consideration. IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases. The implementation process is expected to be a time and resource consuming exercise, to identify such lease contracts and ensure they are complete and accurate. A Council of Kirklees' size (large metropolitan council) would potentially have many such contracts to be considered/identified, to ensure those are within the scope of IFRS16 standard. The Council has reported on this Standard at Note 3 to the account, Accounting Standards that have been issued but have not yet been adopted. In that note, the Council has indicated that work on the implementation of the above Code change is ongoing and the full impact on the Council's single entity and group accounts has not been fully assessed yet. On page 17 of this report, the volume and types of leases that may be captured by this Standard have been indicated to readers. In addition, there are other considerations when it comes to application of IFRS16 in the public sector. This includes assets with peppercorn rents which are within the scope of IFRS16. Also, exemptions for leases with low value assets and short-term leases. In addition, the impact on the accounting for the Council's four PFI/PPP schemes also requires due consideration. Some accounting impact may arise due to the treatment of annual indexation under IFRS 16 requiring remeasurement of the liability as opposed to simply expensing to the CIES as 'contingent rents' under IAS 17. Considering this is a time and resource consuming task and potentially high number of such contracts at the Council, the implementation of this exercise should be accelerated and the resource requirements to complete the work should be reviewed for sufficiency. We note that the 2024-25 financial statements year-end is circa four months from this report date. If this work is not completed satisfactorily to the accounts closedown timetable, there is a risk that the Council does not identify and properly account for all the contracts within the scope of IFRS16, which may give rise to the potential for misstatements in 2024-25 Statement of Accounts.	We recommend the Council to accelerate the implementation of IFRS16 to ensure such leased assets are completely and accurately captured before 2024-25 accounts closedown. Managements should ensure that there appropriate arrangements to be in place to support with the initial adoption of the IFRS 16 standard in 2024-25. Management response: *The Council is ongoing with its implementation to adopt the standard during 2024-25.*

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	10. Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice 2023-24: Our audit opinion expresses an opinion on whether the Other information, comprising the Annual Governance Statement and Narrative Report, is misleading in any way and highlights any inconsistencies with information presented in the financial statements. As such we are not required to conduct the full scope audit procedures on the Other information, nonetheless the Council is required to present an Annual Governance Statement and Narrative Report that are fully compliant with the CIPFA Code of Practice. Our review of these documents highlighted a number of areas where we consider additional detail could be added in order to more clearly satisfy the requirements of the CIPFA Code. We have listed the key additions that we consider to be necessary for full compliance. <u>Narrative Report</u> Our review of the Narrative Report identified a comprehensive finance commentary covering key metrics. Our principal challenge to officers was how the report covers off non-financial performance and operational performance - ultimately how well the Council is delivering on its non-financial objectives in the Council plan. The Code is clear that the Narrative Report should identify and present a range of the Council's non-financial performance indicators (e.g. KPIs) and provide an accompanying narrative commentary setting out an assessment of the Council's non financial performance during the year. The Code also states that the Narrative Report should contain appropriate detail for a user to evaluate future sustainability and the effect on service provision, including assessing future cash flows. We are of the view that additional detail would be beneficial in the report to properly address this requirement.	We recommend the Council refreshes its Narrative Report checklist to ensure all Code requirements are captured. Early work in this regard should enhance the quality and detail included in the draft reports and ensure that all Code requirements have been covered in the draft Narrative Report presented to CGAC and External audit. We note that this recommendation does not entail the Authority disclosing additional information that is highlighted as best practice in the Code but it is around ensuring the minimum disclosure requirements have been addressed so that the Authority is fully complaint with the CIPFA Code of Practice. Management response: ***Whilst noting the recommendation, the Code states that this section of the Accounts is outside the scope of the audit and the resulting audit opinion.*** ***Management are content that the Narrative Report satisfies the statutory requirements laid out in the Code and would stress that within the requirements of the Code, the content and style of the Narrative Report is at the discretion of the Council.*** ***Management are also content that the information contained within the Narrative Report is not only consistent with prior years disclosures but also in-line with other neighbouring authorities.***

C. Follow up of prior year recommendations

We identified the following issues in the audit of Kirklees Council's 2022-23 financial statements, which resulted in three recommendations being reported in our 2022-23 Audit Findings ISA260 Report. We have followed up on the implementation of our recommendations and note that two of the three are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Related Party disclosures: During our 2022-23 audit, we identified that several Council members held financial interests in companies that were not notified to the Finance team. We reported that this presented a risk that the Related Party disclosures in the financial statements were incomplete. Our recommendation was that management review its process for gathering all relevant information that may require disclosure at the related party transaction note. We also reported that where member declarations are not received management should consider investigating possible financial interests held by members using publicly available information.	External audit comments: Our audit work has not identified any instances where the disclosures of related parties are not compliant with the Code and IAS 24. As such, no under disclosures of relationships or transactions, that are either material by nature or financial value, have been identified from our work. Our Auditor's Annual Report (value for money) did identify an instance at a Cabinet meeting where a potential conflict of interest was not clearly recorded and subsequently managed. This has been captured in our Key Recommendation around Governance – Promoting an open and transparent culture, summarised on page 5 of this report.
RECOMMENTATION OUTSTANDING	Gifts and Hospitality Registers: In the prior year we reported that whilst a register of gifts and hospitality maintained and published for Councilors, there is no such register for senior officers. We recommended that management consider publishing a gifts and hospitality register for senior officers to further promote a culture of transparency within the organisation.	External audit comments: From our audit work this year end on related parties, we were not furnished with records of declarations of gifts and hospitality for officers. We understand from the Council's central finance colleagues that Services are expected to hold this information themselves but based on current arrangements this cannot be practically verified and the recommendation stands in that not having a central repository of officer declarations means that potential conflicts and breaches of the Council's own Code of Conduct may not be identified timely. <u>Management comments - January 2025:</u> ***Noted. A Council wide Conflict of Interest Register has recently been rolled out and the intention is to do the same with Gifts and Hospitality.***
RECOMMENTATION OUTSTANDING	Publication of draft financial statements: The 2022-23 draft financial statements were due to be published by 31 May 2023 and audited financial statements (or appropriate notification) by 30 September 2023. We understand that management took the decision to publish the draft financial statements by 30 June 2023 in line with their existing timetable, rather than bringing this forward by a month. We reported that management should have regard to nationally-set publication deadline and consider working towards revising its accounts production timetable accordingly.	External audit comments: We would encourage the Council to observe nationally-set deadlines but we do acknowledge the Council's intent to achieve balance across timely delivery, the available level of finance officer capacity and the Council's aim to deliver a high quality set of draft accounts with quality assurance built into the process. <u>Management comments - January 2025:</u> ***Noted. Management made the decision to ensure the closedown timetable for the draft financial statements for 2023-24 allowed for accounts to be produced mid-June 2024 to give officers sufficient time to ensure the most accurate draft accounts possible and enabling publication by the end of June 2024. This was communicated to Corporate Governance and Audit Committee and to External Audit in advance. The 2024-25 accounts are due to be published by 30 June 2025 based on the updated statutory deadlines.***

D. 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 2024.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Impact on unusable reserves
Impairment of Almondbury Community School - £16.7m During the performance of detailed land & buildings valuations testing, we reviewed the Information Schools Service web page to identify the number of pupils on roll at Council-managed schools to support the valuations work and demonstrate continued operation of the schools held on the Council's fixed asset register. This review identified that Almondbury Community School school had been closed to pupils, and following challenge of management, it was identified that this closure had not been reflected in the valuation as at 31 December 2023. We understand that there are plans in place for the existing building to be demolished in the next 2 years and the site to be used to construct a new special school on the site, into which the current Woodley School and College will relocate. We understand these plans are linked with the Council's DSG recovery plan to expand and enhance in-house SEND provision. To address the impairment indicator, management commissioned its expert valuer to prepare an additional valuation for Almondbury as at 31 December 2023, as a surplus asset which assumed that the building had no remaining service potential (given demolition plans). The revised valuation indicated a value of £400k for the land element. Management has adjusted for this in the updated financial statements with the other land & buildings asset being impaired down to £nil and an addition of £400k being accounted for as a surplus asset. Following the identification of Almondbury Community School, additional checks were performed across all schools on the balance sheet in the form of a lookup to the DfE's register of open schools. No further issues were identified from the additional checks performed.	Debit CIES Children & Families expenditure (increase expenditure) £10.6m Reverse effect through the MiRS: Credit CIES Children & Families expenditure (decrease expenditure) £10.6m Overall impact £nil	Credit (reduce) property, plant & equipment – other land & buildings £16.7m	£nil	Debit (reduce) revaluation reserve £6.1m Debit (reduce) Capital Adjustment Account (CAA) £10.6m All of the impact arising this adjustment has been absorbed by unusable reserves
Overall impact	£nil	(£16.7m)	£nil	£16.7m

D. 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 unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee, as TCWG, is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Reason for not adjusting
Erroneous adjustment posted to the Cash and Cash Equivalents balance: An inaccurate adjustment was processed on the school enabling account used by the Council to reconcile schools' cash balances. The account is used in the period starting when the returns filled out by each school before breaking up for Easter holidays on 18 March 2024, and the reconciliation period continues in the following weeks up to the financial year end of 31 March 24. During this period, the schools will continue to make payments to suppliers and third-parties using their own bank account, paying off invoices on the creditors ledger. In this way, cash was flowing out of the Council to the schools' suppliers and the schools' creditors balances should therefore have been decreasing, commensurate with the value of the payments being made. The accounting entry for the Council should have been to debit creditors by £0.57m and credit its cash and cash equivalents by £0.57m. However, the opposite entry to debit cash and cash equivalents and credit creditors was posted at year end, which has now been identified as incorrect. The entry to correct this transaction is shown in the table to the right. Since the accounting entry was posted opposite to the way as was correct in the first instance, the first entry would be to reverse this back to £nil and then post the correct entry as indicated above. To correct this in one set of transactions has resulted in a entry to cash and cash equivalents that is twice the magnitude of the original erroneous entry (i.e. £1.14m). We understand management does not intend to adjust for this on the grounds of materiality.	£nil	Credit (decrease) Cash & Cash Equivalents £1.14m Debit (decrease) Special Creditors (short-term) £1.14m	£nil	Considered immaterial by management
Overall impact	£nil	£nil	£nil	

D. 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 unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee, as TCWG, is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Impact on unusable reserves	Reason for not adjusting
Variances identified in gross internal area (GIA) data used in the valuation of buildings that use the DRC basis of valuation As part of our detailed testing on the valuation of land & buildings, verifying the accuracy of source data used in the valuation, we performed work to agree a sample of gross internal areas back to the AutoCAD floorplans held by the Council's estates function. This sample testing comprised testing a sample of 27 buildings, 14 of which with a NBV greater than £5m (combined NBV of £159m), thereby placing a focus on testing high value buildings. This work identified a number of variances, including 7 that showed variances greater than 5% with an average variance of 42% and a total range of 350% (-33% to 317%). With a total sample population value of £170m from a total of DRC land & buildings population of £416m, we have considered coverage sufficient to perform an extrapolation procedure to determine an extrapolated error value for the total population. An extrapolated error totalling £3.3m (increase to valuations representing an understatement) was identified, which represents a c1% error rate. Whilst the error rate could be considered low based on the average of all variances, the range of variances above indicates there are some inaccuracies in the datasets, which the Council should look to remedy as a matter of good housekeeping. We note that the land element has been removed from the £416m to calculate the £3.3m extrapolated error, since GIA records are not expected to impact on the valuation of land.	£nil	Debit (increase) valuation of other land & buildings £3.3m	£nil	Credit (increase) unusable reserves £3.3m either posted to the Revaluation Reserve OR via CIES, through the MiRS and, into the Capital Adjustment Account (CAA).	Considered immaterial by management
Overall impact	£nil	£3.3m	£nil	(£3.3m)	

D. 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 unadjusted misstatements

The table below provides details of adjustments identified during the 2023-24 audit which have not been made within the final set of financial statements. The Corporate Governance and Audit Committee, as TCWG, is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Impact on Comprehensive Income and Expenditure Statement	Impact on Balance Sheet	Impact on general fund (useable reserves)	Impact on unusable reserves	Reason for not adjusting
Transfer of Homestead Centre (former day care centre) from other land & buildings to surplus assets and revaluation using fair value approach Our work identified that the Homestead Centre, with a carrying value of £1.6m, had been closed by the service prior to the 2024 year end and had been earmarked for sale but not actively marketed as at the year end. As a result of the building being closed to service users, a transfer of the asset prior to the balance sheet date. As per the Code, surplus assets are required to be measured at fair value. The Code defines fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Per the October 2024 auction, the combined land & building had an auction estimate of £400k, which may be used as a reasonable proxy for its fair value. The impact of this change in asset sub-classification and fall in the valuation is shown to the right. Management has opted not to adjust for this misstatement on the grounds of materiality.	Debit CIES Adults & Heath expenditure (increase expenditure) £0.5m Reverse effect through the MiRS: Credit CIES Adults & Heath expenditure (decrease expenditure) £0.5m Overall impact £nil	Credit (decrease) valuation of other land & buildings (£1.6m) Debit (increase) valuation of surplus assets £0.4m	£nil	Debit (reduce) revaluation reserve £0.7m Debit (reduce) Capital Adjustment Account (CAA) £0.5m All of the impact arising this adjustment has been absorbed by unusable reserves	Considered immaterial by management
Overall impact	£nil	(£1.2m)	£nil	£1.2m	

D. Audit Adjustments (continued)

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.

Account balance / disclosure note	Description and value	Adjusted?
Statement of Cash Flows	Adjustments have been processed to accurately reflect the Council's cash flows in year as described below: • Adjustment to receipts and repayments in respect of borrowings to accurately reflect cash flows with third-parties (external to the Council) Decrease to cash receipts from short- and long-term borrowing (within financing activities) (-£20.829m) - reduces cash inflow on this line Decrease to cash repayments of short- and long-term borrowing (within financing activities) (-£20.829m) - reduces cash outflow on this line • Adjustments to net surplus/deficit on the provision of services for non-cash movements to accurately reflect REFCUS and collection fund entries Decrease other receipts from financing activities (within financing activities) due to erroneous entry (+71k) - reduces cash inflow on this line Decrease other receipts from investing activities (within investing activities) to reflect an additional £1,390k of REFCUS grant that has been included on this line but does not represent a capital grant (+£1,390k) - reduces cash inflow on this line Increase adjustments to net surplus/deficit on the provision of services for non-cash movements (-£1,460k) – this is the balancing entry for the two lines directly above (£71k and £1,390k) – the two entries above are reducing the cash inflows to correct erroneous entries in the draft accounts	✓
Note 34 Officers' Remuneration	Senior Officers' emoluments For all senior officers disclosed in the table in the draft accounts, errors were identified in the columns ***employer pension contributions*** and ***total remuneration including employer pension contributions.*** The error arose since national insurance contributions had been disclosed as employer pension contributions. The disclosure note has been updated to accurately reflect the employer's pension contribution and the total column also updated accordingly. The annual salary for the postholder ***Service Director – Finance, Transactional Services (s151 Officer)*** was identified to exceed £150k. For transparency, the CIPFA Code requires disclosure of the postholder's name when the annual salary exceeds this threshold. The name Isabel Brittain has therefore been added to the disclosure. One of the postholders disclosed changed role in year Service Director to Strategic Director for Children's Services. The first draft included the salary earned as Service Director and Strategic Director. Service Directors are not disclosed in this table based on how the Council has defined its key management personnel. This table has therefore been amended to only disclosure Strategic Director element of the total salary paid.	✓
Narrative Report & Annual Governance Statement	We have proposed some presentational changes to the Narrative Report to improve the clarity and completeness of the information presented to the reader, principally entailing adding some additional narrative and figures to illustrate non-financial & operational performance in 2023-24. This includes narrative to explain how the Authority has delivered on the objectives set out in its Council Plan and also a balanced summary of delivery against the KPIs the Council has set for itself, covering both strong areas of performance and also highlighting potential for improvement. Some auditor comments were also provided on the Annual Governance Statement. Whilst it was noted that the body of the report provided a detailed summary of the key governance matters impacting the Authority, and also actions taken in respect of governance matters identified in the prior year, we did identify improvement matters to ensure full compliance with Code requirements for the statement. The changes identified were to include an acknowledgement of responsibility for ensuring that there is a sound system of governance and to provide an overall view and assessment on the effectiveness of the Authority's current governance arrangements.	AGS updated. Management is not intending to adjust the Narrative Report – we have raised a recommendation in this regard on page 47

D. Audit Adjustments (continued)

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.

Account balance / disclosure note	Description and value	Adjusted?
Note 19 Financial Instruments	The financial liabilities table disclosed on page 69 has been amended to remove statutory and taxation creditors from the disclosure as financial liabilities, since these creditors relating to employer taxes do not satisfy the Code definition of a financial instrument in that they arise from taxation and not a contract. The impact of this adjustment has been to reduce short term creditors at amortised cost from £68,091k to £53,242k (-£14,849k). There has been a corresponding increase to non-financial liabilities. This change has also impacted on the sub-notes and tables included at note 19. The financial assets table disclosed on page 68 has been amended to classify finance lease receivables as a financial asset on the basis that they represent holding a right to receive cash. This change has resulted in a £3.3m increase to non-current debtors, finance leases at amortised cost by bringing in an additional line summing to a total of £3.3m. There has been a corresponding decrease to non-financial assets. This change in classification has also resulted in a change to fair value disclosure on page 72. This finance lease receivables with a book value of £3.3m have been assessed to have a fair value of £5.3m which has been added to the cell fair value, long-term debtors at amortised cost in that table on page 72.	✓
Note 41, Defined Benefit Pension disclosure note	Our review of the pensions disclosures within Note 41, Defined Benefit Pensions identified that no sensitivity analysis had been disclosed for pension assets valued at level 3 (e.g. complex valuations such as private equity and special purpose investment vehicles where there is no readily available comparable market information) around the estimation uncertainty in relation to the valuation of these assets. Kirklees Council holds approximately 12.9% of the scheme's level 3 assets (£2.56bn) which calculates Kirklees' share of said assets to be £330m. The pension fund has attached an estimation range of 13.96% and therefore the calculated valuation estimation range relevant to Kirklees is £46m. This is therefore a material disclosure for the Council.	Management is not intending to adjust
Note 37, Grant Income	A disclosure adjustment affecting note 37 has been identified from our work. There is no overall impact on grants recognised in the CIES. i. DWP – Rent Allowances – £33,057k presented in the draft accounts, adjusted to £30,885k (decrease of £2,172k) ii. DWP – Rent Rebates - £29,796k presented in the draft accounts, adjusted to £31,968k (increase of £2,172k)	✓
Various notes	Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.	✓

E. Fees and non-audit services

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

Audit fees	Proposed fee	Final fee
Scale fee	£425,058	£425,058
Increased audit requirements of ISA 315 Revised – “Identifying and assessing the Risks of Material Misstatement” – (new controls requirement not included in the PSAA tender submission). The final fee also captures the additional work required on ISA240, not included in our audit plan. The total fee for this work is being charged at the PSAA standard fee for metropolitan councils of £15,690.	£12,550	£15,690
Engagement of auditor’s external expert in respect of the valuation of other land & buildings, council dwellings and investment property (this is a direct pass through of costs from our valuation expert)	£3,000	£10,988
Total audit fees (excluding VAT)	**£ 440,608**	**£451,736**

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Grant Certification Work		
Certification of Housing Benefit claim	£68,506	TBC
Certification of Initial Teacher Training grant	£5,286	TBC
Certification of Teachers’ Pension return	£12,500	TBC
Certification of the Pooling of Housing Capital receipts	£10,000	TBC
Certification of compliance with subcontracting funding rules Education and Skills Funding Agency – post 16	£10,000	TBC
Total non-audit fees (excluding VAT)	**£106,292**	TBC

None of the above services were provided on a contingent fee basis. The total of the proposed audit-related fees sum to 24%, which is within the non-audit/audit-related service fee cap of 70% as set out in the FRC Revised Ethical Standard 2019.

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

F. Management Letter of Representation (draft)

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
No.1 Whitehall Riverside
Whitehall Rd
Leeds
LS1 4BN

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Kirklees Council Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Kirklees Council and its joint venture undertaking Kirklees Stadium Development for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the group and Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

   We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvi. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;

   b. additional information that you have requested from us for the purpose of your audit; and

F. Management Letter of Representation (draft)

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the group and Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 31 January 2025.

Yours faithfully

Name.................................

Position...............................

Date..................................

Signed on behalf of the Council

G. Audit opinion (proposed)

Independent auditor's report to the members of Kirklees Council

Report on the audit of the financial statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kirklees Authority (the 'Authority') and its joint venture (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Authority and Group Cash Flow Statement, the notes to the financial statements, including a summary of significant accounting policies, the Group Comprehensive Income and Expenditure Statement, the Group Statement of Movement in Reserves, the Group Balance Sheet, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and the Collection Fund Statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2024 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/34; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Service Director Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

Our evaluation of the Service Director Finance's assessment of the Authority's and the group's ability to continue to adopt the going concern basis of accounting included a review of the assumptions and forecasts provided to support the Service Director Finance's assessment regarding the future continuation of services.

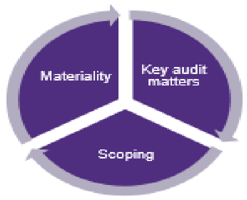
In our evaluation of the Service Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Service Director Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Service Director Finance with respect to going concern are described in the relevant sections of this report.

Our approach to the audit



Overview of our audit approach

Financial statements audit

Overall materiality

Group: £16,250,000, which represents 1.34% of the group's gross expenditure on cost of services.

Authority: £16,200,000, which represents 1.33% of the Authority's gross expenditure on cost of services, capped at an amount less than group materiality for group audit purposes.

Key audit matters were identified as:

- closing valuation of other land and buildings, and council dwellings (Authority only, same as prior year);
- closing valuation of investment property (Authority only, same as prior year); and
- valuation of the net surplus related to the defined benefit pension scheme (Authority only, same as prior year).

There were no key audit matters reported in our auditor's report for the year ended 31 March 2023 that have not been reported in our current year's report.

There were no key changes in the scope of the audit from the prior year.

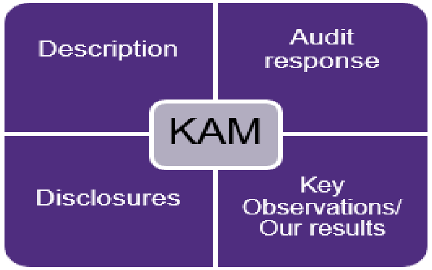
Value for money arrangements

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

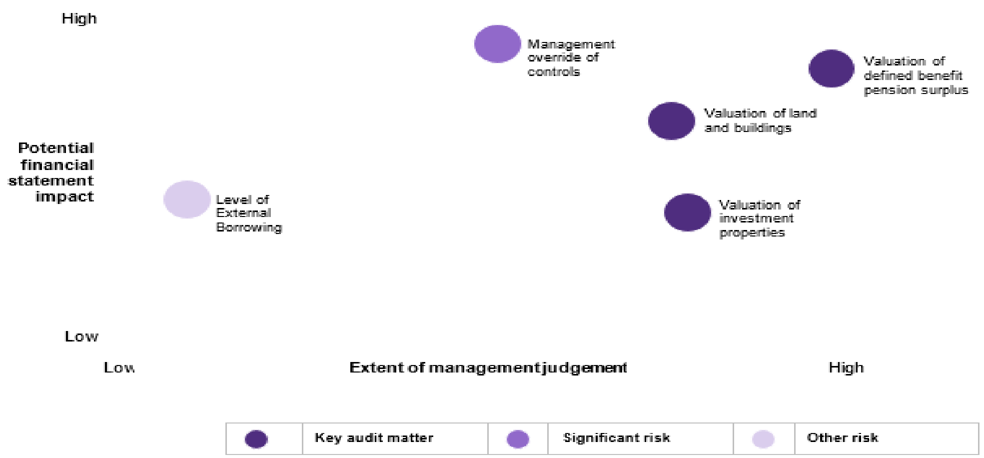
G. Audit opinion (proposed)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the group and Authority's financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter - Authority

Closing valuation of Land & Buildings and Authority Dwellings

We identified the valuation of land & buildings and Council dwellings as one of the most significant assessed risks of material misstatement due to error. This is due to the value of the assets and the judgements and estimation involved in valuing them.

Other land & buildings has a carrying value of £531m and Council dwellings £825m as at 31 March 2024, totalling some £1.35bn which is many times our audit materiality of £16.2m.

The Authority re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. The Authority values its Council dwellings annually.

Around 80% of the Authority's other land & buildings are specialised in nature with the valuation method depreciated replacement cost (including schools & leisure centres). Key inputs include the accuracy of the building size data, the selection of an appropriate rebuild cost and an appropriate reduction applied to the valuation to reflect a building's age and physical deterioration compared with a new equivalent.

For the remaining 20% of non-specialised buildings (including car parks & schools), key judgements include the selection of relevant and appropriate open market data for rental values, investment yields and land values. There is a greater level of judgement involved in non-specialised valuations (when compared with specialised), however, the Authority's portfolio value of £110m is a low multiple of our £16.2m audit materiality that would require a high error rate to give rise to any material misstatement.

Since management uses a 31 December valuation reference date, an assessment whether assets' current value has changed materially to the year end is required.

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 social housing adjustment factor is prescribed in Government guidance. There is a risk that the Authority's selection and application of the valuation assumptions is not in line with the statutory requirements and that the valuation of dwellings is not supported by open market evidence of sale prices of similar residential properties. A further risk is the application of an inappropriate social housing adjustment factor in the valuation.

How our scope addressed the matter - Authority

In responding to the key audit matter, we performed the following audit procedures:

- evaluated the design effectiveness of controls in place around the valuation process
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work & the appropriateness of the basis of the valuation
- evaluated the competence, capabilities and objectivity of management's valuation expert
- evaluated the challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding & wrote to the valuer to confirm the basis on which the valuation was carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's Asset4000 fixed asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end
- performed indexation on properties not revalued in the year and also those valued as at 31 December 2023 to establish that there was no risk of material movement up to the year end
- engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of land & buildings and give a view on the adequacy and appropriateness of management's external valuer's report
- agreed, on a sample basis, the internal floor areas (GIAs) to the Authority's K2 property asset management software and AutoCAD building measurement software
- for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations
- for Authority dwellings, valued using the beacon methodology, obtained comparables from online sold property websites and assessed the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we assessed the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites.

Relevant disclosures in the Statement of Accounts for the year ended 31 March 2024

- Accounting Policies, Note 1.21, Property, Plant and Equipment (PPE – Excluding Highways Network Infrastructure Assets)
- Note 15, Property, Plant & Equipment
- The Narrative Report

Key observations

Based on our audit work, we identified an impairment in relation to Almondbury Community School with a carrying value of £16.7m that has been closed and decommissioned from service. This reduction of £16.7m in the carrying value of other land & buildings was adjusted by management in the published version of the financial statements.

In addition, our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the value. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £3.3m. This has not been adjusted the basis that this is extrapolation and not a factual error and is not material.

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of land & buildings and Council dwellings was acceptable; and
- the valuation assumptions and processes used by management in determining the estimate of valuation of land & buildings and Council dwellings were balanced and reasonable.

Closing valuation of Investment Property

In responding to the key audit matter, we performed the following audit procedures:

G. Audit opinion (proposed)

Key Audit Matter - Authority

We identified the valuation of investment property as one of the most significant assessed risks of material misstatement due to error.

The Authority is required to re-value its investment property portfolio annually for in line with the Code requirements. The Authority complies with this requirement apart from in respect of investment properties with a valuation below £250k, which do not form part of the annual revaluation exercise. The total of these sub £250k properties in £9.2m which management does not consider to be material.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £90m) and the sensitivity of this estimate to changes in key assumptions & judgements.

Key judgements include the selection of relevant and appropriate open market data for rental values, investment yields and land values.

How our scope addressed the matter - Authority

- evaluated the design effectiveness of controls in place around the valuation process
- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- discussed with the valuer and evaluated the appropriateness of the basis of the valuation
- evaluated the competence, capabilities and objectivity of management's valuation expert
- evaluated and challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding and we have written to the valuer to confirm the basis on which the valuation was carried out
- tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's Asset4000 fixed asset register
- engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of investment property and give a view on the adequacy and appropriateness of management's external valuer's report
- reviewed the classification of investment property assets for consistency with the Code and IPSAS 16 definition. Under the definition, an investment property is one that is used solely to earn rentals or for capital appreciation or both.
- for investment properties valued on a fair value (FV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations. Similarly for those land assets, we obtained market data for both sold and currently marketed land to assess the appropriateness of the adopted values per acre.

Relevant disclosures in the Statement of Accounts

- Accounting Policies, Note 1.15 Investment Property
- Note 17, Investment Property
- The Narrative Report

Our results

We obtained sufficient audit assurance to conclude that:

- the basis of the valuation of investment property was acceptable; and
- the assumptions and processes used by management in determining the estimate of valuation of investment property were balanced and reasonable
- we were also satisfied, to a material extent, with the classification of the population of land and buildings as investment property as per the Code definition

Valuation of the net surplus related to the defined benefit pension scheme

We identified the valuation of the net surplus related to the defined benefit pension scheme as one of the most significant assessed risks of material misstatement due to error.

The pension fund net surplus is considered a significant estimate due to the size of the numbers involved (£144m on the Authority's

In responding to the key audit matter, we performed the following audit procedures:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net surplus is not materially misstated and evaluated the design of the associated controls

Key Audit Matter - Authority

balance sheet) and the sensitivity of the estimate to changes in key assumptions.

As communicated in our Audit Plan, we did not identify a significant risk in respect of the source data or the method applied by management's expert actuary. The significant risk was identified in respect of the assumptions used.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the net IAS 19 surplus. In particular the discount rate and inflation (pension increase) rate, and life expectancy. As disclosed in the sensitivity analysis of the financial statements, a change >1% in the three assumptions listed above could be expected to have a material impact on the estimate.

2023-24 is the second year that the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

We identified a significant risk of material misstatement, and a Key Audit Matter, in respect of the assumptions used in their calculation of the IAS19 net pension balance estimate and the IFRIC 14 net pension surplus recognition and valuation.

Relevant disclosures in the Statement of Accounts

- Accounting Policies, Note 1.6 Employee Benefits
- Note 41, Pensions Disclosures
- The Narrative Report

How our scope addressed the matter - Authority

- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- engaged a consulting actuary (auditor's expert) to assess the assumptions applied by management's actuary
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested 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
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we performed any additional procedures suggested within the report
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- confirmed that pension fund asset valuations were based on a 31 March 2024 valuation date.

Our results

We assessed the £114m surplus presented in the draft accounts to be an appropriate management estimate. This judgement has been reached having considered the following points:

- The calculation assumes a minimum funding requirement exists in respect of Local Government Pension Scheme (LGPS) which means that annual contributions to the scheme will continue to be required irrespective of the value of any net pension surplus.
- The calculation has also assumed that the LGPS will remain open to new members on an infinite basis and as such an annuity in perpetuity basis has been used.
- Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 22-year recovery period.

Our work confirmed that the IFRIC 14 assumptions used were in keeping with the range of assumptions that were deemed appropriate by the CIPFA IFRIC 14 guidance and the commentary of PwC as the external auditor's expert.

G. Audit opinion (proposed)

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

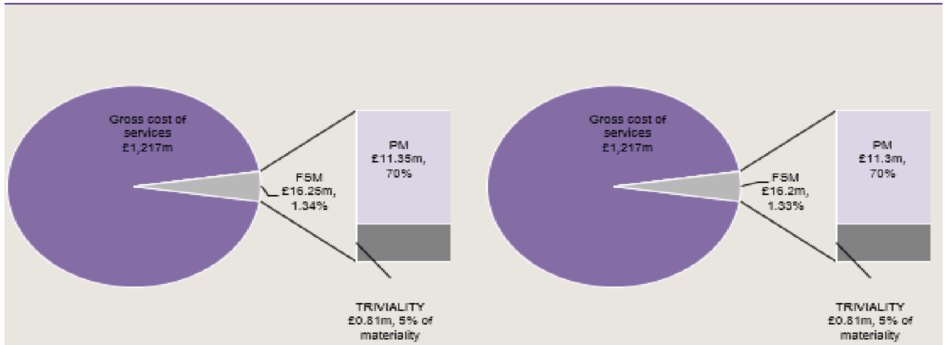
Materiality measure	Group	Authority
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
	Group	**Authority**
Materiality threshold	Overall materiality has been set at **£16.25 million**, which represents **1.34%** of the group's gross expenditure on cost of services. The absolute value of materiality has remained the same as the prior year. There has been no change to the value of materiality communicated in our Audit Plan.	Overall materiality has been set at **£16.2 million**, which represents **1.33%** of the Authority's gross expenditure on cost of services. The absolute value of materiality has remained the same as the prior year. There has been no change to the value of materiality communicated in our Audit Plan.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: • Gross expenditure on cost of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.35% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. This was adjusted to 1.34% in the final determination to achieve a rounded value of materiality.	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: • Gross expenditure on cost of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. • A percentage of 1.35% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. This was adjusted to 1.33% in the final determination to achieve a rounded value of materiality.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	

Materiality measure		
Performance materiality threshold	Performance materiality for the year has been set at **£11.35 million**, which is **70%** of the group financial statement materiality. The absolute value of performance materiality has remained the same as the prior year. There has been no change to the value of performance materiality communicated in our Audit Plan.	Performance materiality for the year has been set at **£11.3 million**, which is **70%** of the Authority financial statement materiality. The absolute value of performance materiality has remained the same as the prior year. There has been no change to the value of performance materiality communicated in our Audit Plan.
Significant judgements made by auditor in determining the performance materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 70% of financial statement materiality. This judgement was based on the auditor not identifying any pervasive deficiencies or a higher-than-expected number of misstatements during the prior year's audit. In addition, there has been stability in core finance personnel and no complex accounting issues or new accounting standards relevant to the 2023-24 accounting period.	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the group we have determined performance materiality to be 70% of financial statement materiality. This judgement was based on the auditor not identifying any pervasive deficiencies or a higher-than-expected number of misstatements during the prior year's audit. In addition, there has been stability in core finance personnel and no complex accounting issues or new accounting standards relevant to the 2023-24 accounting period.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to its sensitive nature and heightened interest for local taxpayers. The **specific materiality** determined for **senior officer remuneration disclosures** is **£20k**.	
Communication of misstatements to the Corporate Governance and Audit Committee	We determine a threshold for reporting unadjusted differences to the Corporate Governance and Audit Committee.	
Threshold for communication	**£810k** (which represents **5%** of headline materiality) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	**£810k** (which represents **5%** of headline materiality) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

G. Audit opinion (proposed)

The graph below illustrates how performance materiality interacts with our overall materiality and the threshold for communication of misstatements to the Corporate Governance and Audit Committee.

Overall materiality - Group   Overall materiality - Authority



FSM: Financial statement materiality, PM: Performance materiality, TfC/TRIVIALITY: Threshold for communication to the Corporate Governance and Audit Committee

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the Authority's business and in particular matters related to:

Evaluating the reasonableness of the valuation of Other Land and Buildings and Council Dwellings

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts;
- The Authority's valuation programme did not significantly influence the scope of the audit procedures for Council dwellings since the Authority followed its stated policy of revaluing its full Council Dwelling asset base (£825m at the year end). For other land & buildings, the audit work focussed on testing the valuation of the closing balance and as such the timing of valuations had limited influence on the sample selection;
- The other land & buildings balance was disaggregated prior to sample selection into assets of the same type e.g. schools, leisure centres etc. We selected a number of assets from any material asset sub-groups and conducted detailed work on valuation source data and the assumptions used. A similar approach was adopted for Council Dwellings to ensure that a range of dwelling sub-types formed part of the testing;
- The Authority's rolling triennial valuation programme did require additional audit procedures on assets not revalued. While a significant proportion of the Authority's other land and buildings were revalued (£296m out of £531m at the reporting date), this left a balance of £229m of assets at the reporting date that had not been valued for at least a year prior to the reporting date. Auditor challenge was therefore required to gain assurance that these assets were reasonably stated in the financial statements;
- The Authority's choice of valuation date of 31 December 2023 meant that specific audit procedures were necessary to evaluate whether the stated valuations were reasonable as at 31 March 2024. Given the level of materiality at £16.2m, against the value of assets subject to revaluation at the reporting date of £1,356m, auditor challenge was required to gain assurance that the valuations were reasonably stated.

Evaluating the reasonableness of the valuation of Investment Property

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts.
- The Authority's valuation programme did not significantly influence the scope of the audit procedures for Investment Property since the Authority followed its stated policy of revaluing its Investment Property holding annually (£90m at the reporting date) (with the exception of sub-£250k investment properties as mentioned above.
- Work was undertaken to obtain similar properties to Authority-owned properties that had been transacted on the open market in the last 1-2 years. These comparables were used to assess the relevance and accuracy of the assumptions adopted by management's expert valuer.

Evaluating the reasonableness of the valuation of the net defined benefit pension surplus

- The engagement team obtained an understanding of the Authority's approach to obtaining actuarial reports which would allow for a reasonable estimate of the Authority's LGPS net surplus at the reporting date.
- Within the scope of our audit procedures is the evaluation of the work of the pension fund auditor, in respect of the pension fund's reported asset performance; the work of the nationally appointed auditor's expert, in respect of assessing the appropriateness of actuarial assumptions used by the scheme actuary; the work of the Authority and West Yorkshire Pension Fund in collating and sharing accurate information with the actuary and the work of the scheme actuary in preparing the IAS 19 calculations and disclosures to be included in the Authority's financial statements.
- An assessment on the recognition of the defined benefit pension net surplus was performed as part of the detailed audit work, including application of an appropriate asset ceiling in line with IFRIC 14 principles.

Understanding the group, the Authority and its other components, and their environments, including group-wide controls

- include that the engagement team obtained an understanding of the group, the Authority and its environment, including group-wide controls, and assessed the risks of material misstatement at the group and authority level; and
- include the effect of the group organisational structure on the scope of the audit, for example if the group financial reporting system is centralised, use of service organizations including shared service centres.

Type of work performed on financial information of the Authority and other components (including how it addressed the key audit matters)

- Full scope audit procedures undertaken on the Authority's financial statements. All Key Audit Matters listed above arise from the risk assessment on the single entity financial statements, and each could give rise to a risk of material misstatement at group level given that group materiality lies only £5k above single entity (Kirklees Authority) materiality. However, no additional procedures in relation to these KAMs were identified as necessary to support the group audit opinion.
- Specified audit procedures performed on the equity accounting of KDSL in the group accounts and on the valuation of the John Smith's sports stadium which is wholly owned by KSDL. On all remaining KSDL transactions and balances, analytical procedures were performed using group materiality. As noted in the table below, the gross expenditure of KSDL represents 1% of group expenditure and as such its income and expenditure transactions are immaterial to the group and hence the audit focus was placed on the stadium asset on KSDL's balance sheet.

Performance of our audit

Our audit work comprised the following:

- Full scope audit procedures were undertaken on the Authority's financial statements, which represents 99% of the group's total expenditure. Refer to the table below for greater clarity.
- Obtained an understanding of the consolidation process and tested the consolidation, including the alignment of accounting policies, and the significant consolidation adjustments.
- Performed an evaluation of the group's and Authority's internal control environment including its IT systems and controls. No significant or pervasive deficiencies were identified from this work.
- Specified audit procedures performed on the equity accounting of KDSL in the group accounts and on the valuation of the John Smith's sports stadium which is wholly owned by KSDL. On all remaining KSDL transactions and balances, analytical procedures were performed using group materiality. As noted in the table below, the gross expenditure of KSDL represents 1% of group expenditure and as such its income and expenditure transactions are immaterial to the group and hence the audit focus was placed on the stadium asset on KSDL's balance sheet.

G. Audit opinion (proposed)

Audit approach	Number of components	% coverage gross expenditure
Full-scope audit	**1 – Kirklees Authority**	**99%**
Specified audit procedures & Analytical procedures using Group materiality	**1 – KSDL**	**1%**

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Service Director Finance is responsible for the other information within the Statement of Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Service Director Finance

As explained more fully in the Statement of Responsibilities and Certificate [set out on page 19], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Service Director Finance. The Service Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Service Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Service Director Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

We enquired of management and the Corporate Governance and Audit Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Corporate Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and of the and the potential for fraud to occur in the recognition of revenue and expenditure. We rebutted the risks in respect of revenue and expenditure recognition. We determined that the principal risks were in relation to:

- significant management judgements and estimates including the potential for management bias in determining accounting estimates;
- journals entries posted by senior management;
- manual journal entries made during the financial statement preparation process which had an impact on the Comprehensive Income and Expenditure Statement (manipulation of deficit outturn); and
- material closing journals that are unusual in nature and outside our expectations.

G. Audit opinion (proposed)

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual and high-risk journals made at the year-end accounts production stage, journals posted by senior management and journals impacting on the Authority's expenditure and improving the deficit reported
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pension net surplus valuations,
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud through management override, and the significant accounting estimates related to land & buildings valuations and the valuation of the defined benefit pension net surplus. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Authority's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments Limited in December 2017 to audit the financial statements for the year ending 31 March 2019. Our appointment was extended for a further five years in October 2022 following the PSAA procurement outcome. Our total uninterrupted period of engagement is six years, covering the years ending 31 March 2019 to 31 March 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group and Authority and we remain independent of the group and Authority in conducting our audit.

Permitted audit-related services have been provided during the most recent accounting period and these are disclosed in the financial statements.

Our audit opinion is consistent with the additional report to the Corporate Governance and Audit Committee.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter except we identified two significant weaknesses in how the Authority plans and manages its resources to ensure it can continue to deliver its services. We also identified one further significant weakness in how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The first weakness was first raised on 14 July 2023 in relation to the Authority's medium term financial planning arrangements, which risked depleting the Authority's reserves with inadequate savings schemes to balance the medium-term financial gap. Although the Authority has taken extensive action, demand pressures on the Authority in 2023-24 and 2024-25 remain with the Authority incurring expenditure above the budgeted level. For 2023-24, the balancing of the budget required a large, planned use of reserves and left the Authority needing to make significant savings or use reserves for 2024-25.

We recommend that the Authority should continue to build on its work to strengthen its financial position and mitigate risks to it by:

- taking action to deliver savings and to deliver spend as close to budget as possible in 2024-25
- reviewing pressures, assumptions and future savings levels in the MTFS
- reviewing the target level of reserves it wishes to achieve in future years of the MTFS.

The second weakness was first raised on 24 November 2023 relates to the Dedicated Schools Grant (DSG) deficit, which we noted was off-track against the Safety-Valve agreement with the Department for Education (DfE). Although the Authority has renegotiated its Safety Valve agreement, it is off track in delivering this updated position, leaving the Authority exposed to having to accommodate ongoing costs in the budget in the future, and to having to meet the cumulative deficit in future years if the statutory override is removed or if Safety Valve funding is paused or withdrawn since given the Authority is off track against.

We recommend that the Authority should take action to return its spending on DSG back in line with its renegotiated Safety Valve management plan with DfE.

The third weakness was first raised on 20 January 2024 and relates to the Authority's self-referral to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements. The regulator's investigative work identified that a high number of fire risk assessments and remedial measures were overdue and the Authority was not responding effectively and completing timely repairs in respect of damp and mould occurrences in its housing stock. The regulator considered the case as a potential breach of part 1.2 of the Home Standard and concluded that the Authority did not have an effective system in place to allow it to meet its statutory health and safety responsibilities in relation to fire safety.

We recommend that the Authority should improve arrangements to ensure the issues raised by the Social Housing Regulator are addressed, including:

- fire remedial actions resulting from fire assessments
- repairs required to address damp and mould water quality testing.

G. Audit opinion (proposed)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Kirklees Authority for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

In addition, there are two ongoing objections from electors (on the same issue) which we are working through at present. At the point that these objections are concluded, we will issue the audit certificate. We are satisfied that these objections do not have a material effect on the financial statements or value for money work for the year ended 31 March 2024.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Gareth Mills, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Leeds

Date: XX February 2025

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