



The Audit Plan for Kirklees Council 2024-25

Year ending 31 March 2025

9 June 2025



Contents

Section	Page
1. Key developments impacting our audit approach	3
2. Introduction and headlines	12
3. Identified risks	15
4. Our approach to materiality	24
5. Progress against prior year recommendations	27
6. IT audit strategy	34
7. Value for money arrangements	36
8. Logistics	41
9. Fees and related matters	44
10. Independence considerations	46
11. Communication of audit matters with those charged with governance	51
12. Delivering audit quality	53
13. Appendices	55

01 Key developments impacting our audit approach

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies
- Setting the Code of Audit Practice
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users
- enhancing capacity and capability in the sector
- strengthening relationships at all levels between local bodies and auditors to aid early warning system
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector.

For our part, we are proud to have signed 83% of our 2022-23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market.

We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local government face many challenges, the pandemic along with the cost of living crisis has left local government with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it is difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding: Local government faces many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, and enforce taxes. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services and infrastructure projects. There has been some funding increases announced. For 2025-26, the average increase in core spending power across the Local Government sector is a 6.8% increase, with Metropolitan District Councils receiving the largest increase of an average of 9.2%

Digital Transformation: The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. Authorities also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change.

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses across the sector in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context

2024-25 financial performance

- The financial monitoring report to Cabinet in March 2025 reported that as at December 2024 the Council had a net forecast overspend of £9.9m for the financial year 2024-25. The report notes that this is largely due to demand led pressures on children's residential placements, adult social care packages, underachievement of parking income from delays in implementation of new and increased tariffs, home to school transport, temporary accommodation for the homeless which does not attract full government subsidy, overspends on building management – cleaning and security, waste services – increased fleet required to meet demand and increased cost of disposing of pollutants. A number of these factors are consistent with cost and demand pressures facing single tier authorities nationally. These pressures have been offset from a nearly £6m underspend on central budgets arising from intentional slippage in the capital programme (reduced borrowing requirement and interest costs) and utilities and energy costs being lower than budgeted.
- Savings of £42.5m were included in the approved general fund budget for 2024-25. At December 2024, around half of the savings required had been delivered (£21.1m). Of the £21.4m of savings still to be delivered, around £10m is high risk and is not expected to be delivered by the year end. Significant underdelivery of the following schemes is expected: delays to increased parking charges and fines income underperformance (£1.7m), asset rationalisation leading to reduced running costs (£1.5m), post 16 changes to schools transport (£0.7m), under recovery of adult social care income (£2.3m), adult social care transformation – direct payments (£1.3m) and supported living (£1.3m).
- The Dedicated Schools Grant (DSG) deficit is forecast to increase by £20.6m in 2024-25 with a year end forecast deficit of £64.3m. This compares with the DSG Safety Valve Agreement target value of £63.3m, meaning the year end deficit is £1m adverse to plan. The Council is therefore off track in delivering the 2025 outturn which it committed to. We understand that this position has been reported to the Department for Education via the quarterly safety value monitoring reports and that there has been no adverse impact from the DfE to date in relation to the deficit forecast.
- The Capital Programme for 2024-25 is £202m split as £159m for the General Fund and £43m for the HRA. This has been reduced in-year to account for £33m being slipped and reprofiled into future years. The highest value scheme slipped is the Transforming Cities Fund (£12m). The quarter 3 position notes the potential for further slippage at outturn on the basis that prior year capital expenditure totalled £148m.

Operational performance

- The Council measures its performance against its Council Plan covering the period from April 2025 to March 2025. The four key priorities are: Address the Council's financial position in a fair and balanced way, Strive to transform Council services to become more efficient, effective, and modern, Continue to deliver a greener, healthier Kirklees and address the challenges of climate change and Continue to invest and regenerate towns and villages to support diverse places and communities to flourish.
- There are a number of examples of good or improving performance indicators per the quarter 3 report. Remedying unsafe potholes in a timely manner is improving, as is school attendance, and also completion of Fol requests in line with national requirements. The Council has also demonstrated improvements in the percentage of care leavers moving to suitable accommodation and the amount of social value being delivered from Council contracts with third-party suppliers.
- Some performance measures were behind plan with performance declining at the end of quarter 3 where improvement is required. The percentage of ECHPs being finalised within 20 weeks had declined and the Council had recorded an increased number of RIDDOR reportable incidents year on year, however, this may be a by-product of improved recording. The longevity of childhood placements has also declined, potentially giving rise to greater instability for children in care. For the HRA, there has been an increased number of damp and mould cases recorded (which is a measure of demand). Performance on completing housing emerging repairs in a timely manner remains good at 96%, however, non-emergency repairs has declined year-on-year and remains below performance recorded in 2022-23.

2025-26 financial planning

At Full Council in March 2025, a net revenue budget of £396m was approved by Members. The budget provided for £50m of investment in revenue budget and requires delivery of savings totalling £27m. The 2025-26 budget presented to Members assumed a £5.5m draw on general fund reserves. Members opted to increase council tax by 4.99% (2.99% basic + 2% adult social care) against a national maximum uplift of 5%. Decisions made by the new UK government have led to increased funding for local authorities which has impacted favourably on the Council's revenue budget. The average increase in core spending power across the Local Government sector is a 6.8%, with Metropolitan District Councils receiving the largest increase of an average of 9.2%. The financial settlement remains a single year settlement, however, a multi year settlement, which is likely to aid the Council with its medium term financial planning, may be announced following the outcome of the ongoing spending review.

Key developments impacting our audit approach

New accounting standards and reporting developments

Local authorities have had to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on page 10.

Our Response

As part of our prior year audit work, we discussed the implementation of IFRS 16 with management and we identified that an impact assessment, detailing the expected impact of implementation of the standard, as required by IAS 8 and the Code, had not been disclosed.

We raised an audit recommendation in our prior year audit findings report for the Council to accelerate the implementation of IFRS16 to ensure such leased assets are completely and accurately captured before 2024-25 accounts closedown. We also reported that Management should ensure that there are appropriate arrangements to be in place to support with the initial adoption of the IFRS 16 standard in 2024-25. We shall follow up on the Council's response to this recommendation as part of our detailed audit work in 2024-25.

- We will perform a detailed review of the Council's implementation of IFRS 16 which will include:
 - Review of accounting policies and disclosures
 - Review of application of judgement and estimation
 - Review of systems to capture the process and maintain new lease data and for ongoing maintenance
 - Review of accounting for what were previously operating leases
 - Gain an understanding of the identification process of peppercorn rentals and how these are recognised as leases under IFRS 16
 - Obtain and review the contracts register and copies of signed lease agreements, to assess the completeness of arrangements identified as being within the scope of the IFRS 16 leases accounting standard
 - Assess the appropriateness of the subsequent valuation of the right of use assets and the consistency of the valuation approach with regards the wider asset class – e.g. rolling programme of valuation for land & building right of use assets
 - Assess initial recognition of the lease liability including verifying lease team and annual payments to supporting evidence and the selection of an an appropriate discount rate.

Key developments impacting our audit approach

Accounting for the Council's interest in Kirklees Stadium Development Limited (KSDL)

The Council has held a 40% equity interest in KSDL for a number of years and given its material nature in prior years, the Council has produced group financial statements and accounted for its share in KSDL using the equity accounting method. KSDL has been loss making for a number of years with a declining level of reserves. Its only financial statement line item historically material to the group has been the carrying value of the John Smith's Stadium (football stadium). The overall valuation of the stadium reduced in the prior year to below audit materiality (£14.3m), so at the time of our 2024-25 audit planning, we noted that the Council's interest in KSDL may no longer be material at a group level.

We understand that the Council has been exploring how it may be able to divest its interest in KSDL, and the chief officer team has informed us that an agreement is expected to be reached and ratified by the interested parties shortly. Management are considering whether the proposed transactions and the financial value that the Council will immediately benefit from is significantly lower than the carrying value recorded on the balance sheet. As such, management are in the process of concluding their assessment as to whether an impairment indicator existed at 31 March 2025, which may require an impairment to be transacted within the 2024-25 financial year.

From our discussions with management to date, it has been communicated that it is their view that group accounts are no longer required of the grounds of materiality. Should this materialise as expected, no group audit work will be performed by external audit from 2024-25 on the basis that group accounts will no longer be prepared. The Council has shared its rationale for not producing group accounts with us which does not look unreasonable.

No material impact is expected to arise in relation to the Council's single entity accounts since the Council's interest is recorded at cost. However, it would be for management to determine whether the carrying value of the Council's investment in KSDL in the single-entity accounts (cost) should be impaired. It should also be noted that management should look to disclose any decision not to produce group accounts in 2024-25 in the key judgements section of the 2024-25 draft accounts.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Service Director Finance (Section 151 Officer).
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is to undertake our audit following a hybrid approach of remote working and on-site visits when appropriate.
 - We plan to continue to meet with the Chief Executive, Service Director Finance and the Legal and Monitoring Officer on a quarterly basis as part of our commitment to keep you fully informed on the progress of the audit and to keep abreast of any areas of accounting and governance issues at the Council.
 - We plan to meet informally with the Chair of your Corporate Governance and Audit Committee prior to meetings, to brief them on the status and progress of the audit work to date.
 - Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
 - We will continue to provide you and your Corporate Governance and Audit Committee with sector updates providing our insight on issues from a range of sources via our Corporate Governance and Audit Committee updates.
 - We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector. Your finance team will continue to be invited to these workshops.
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IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. 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.

Introduction

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.”

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major change from the requirements of IAS 17 in respect of operating leases.

There are however the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate.

Planning enquiries

As part of our planning risk assessment procedures, we have obtained completed responses to our enquiries from management and held a call with the finance manager for financial accounting to understand the process that the Council has undertaken in adopting the standard. We obtained a process flow mapping from management and evidence of the enquires made of each of the directorates to identify contracts leases within the scope of the IFRS 16 leases standard. Management's processes to identify contracts that contain a lease is a key part of procedures to address the completeness risk and we shall review the sufficiency and appropriateness of the processes in place as part of our audit fieldwork.

Discussions with management indicate that the most significant impact on adoption will relate to the accounting for the Council's PFI liabilities with the annual inflation charges now being accounted for as part of the lease liability on the balance sheet, and also being accounted for within the depreciation and interest costs in the CIES, rather than being accounted for a simple charge to services in the CIES which was previously the case. The Council also holds a number of vehicles on operating leases that are expected to be impacted by the implementation of the new standard.

Computation of the year end IFRS 16 right of use asset values and associated liabilities remains ongoing at the time of writing, and is set to be completed in line with the accounts closedown timetable.

The Backstop

Local Government National Context – The Backstop

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

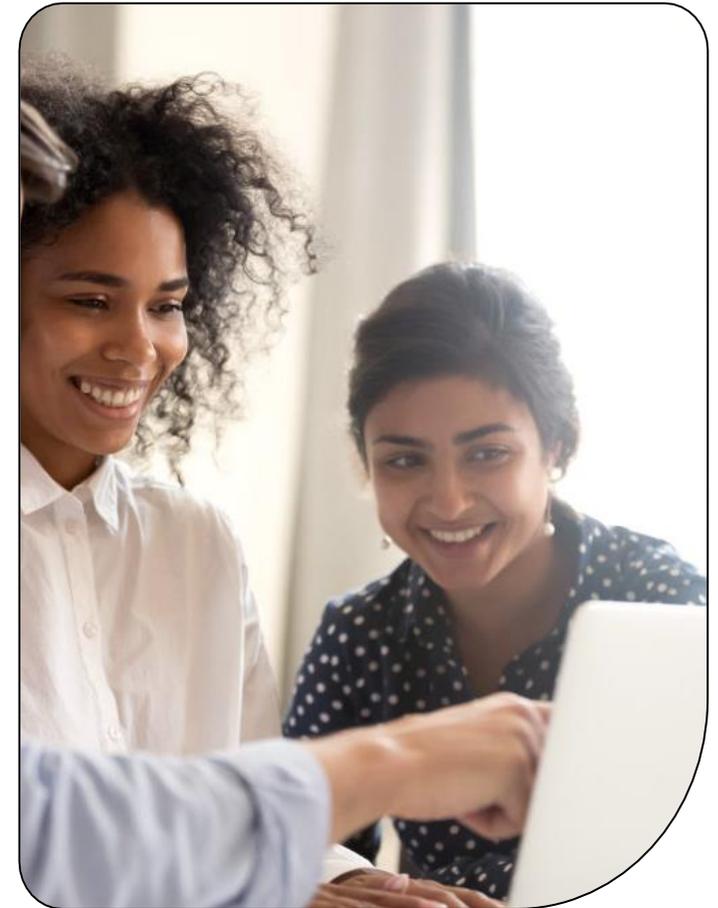
- for years ended 31 March 2025 by 27 February 2026
- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Local Government National Context – Impact on Kirklees Council

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

Our aim is to report our Audit Findings (ISA260) Report and Annual Auditor's Report on value for money arrangements to Members at the Corporate Governance and Audit Committee In January 2026. Following the reporting of our audit findings, we are aiming to conclude our audit and issue the audit opinion by the end of January 2026, ahead of the backstop date in February 2026.



02 Introduction and Headlines

Introduction and headlines



Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Kirklees Council ('the Council') for those charged with governance.

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body.
- Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Corporate Governance and Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Corporate Governance and Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Closing valuation of land and buildings, including Council dwellings
- Closing valuation of investment properties
- Valuation of defined benefit pension fund net balance

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £18.4m (PY £16.2m) for the Council, which equates to 1.5% of your prior year (2023-24) gross expenditure on net cost of services (prior year 1.35%).

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Having considered these, we noted none impacted on the Council's useable reserves and therefore assessed that there should be no impact on the materiality determination.

Our 'clearly trivial' reporting threshold for issues to be brought to the Corporate Governance and Audit Committee's attention has been set at £0.9m (PY: £0.81m).

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

Value for Money arrangements

Our 2023-24 Auditor's Annual Report identified two significant weaknesses and ten improvement recommendations.

Our 2024-25 risk assessment regarding your arrangements to secure value for money has identified risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness. These were identified as a result of the three significant weaknesses in arrangements reported in our 2023-24 Auditor's Annual Report.

The first significant weakness was in respect of the Council's financial sustainability given the Council had continued to overspend on its general fund revenue budget and reserves had reduced. The key recommendation arising was for the Council to continue to build on its work to strengthen its financial position through delivering budgeted savings and managing expenditure to outturn as close to its budgeted position as possible, to review pressures, assumptions and future savings levels in the MTFS, and to review its targeted level of reserves in future years of the MTFS.

The second significant weakness was in respect of the Council's Dedicated Schools Grant deficit. The Council was off track in delivering its planned reduction in the accumulated deficit as at last year end. The key recommendation arising was for the Council to take action to return spending on DSG back in line with its renegotiated Safety Valve management plan with DfE.

The third significant weakness was in arrangements in relation to the Council's social housing compliance with the Social Housing Regulator standards. The key recommendation arising was for the Council to improve arrangements to ensure that issues raised by the Social Housing Regulator are addressed, including fire remedial actions from fire assessments, repairs required to address damp and mould and water quality testing.

We will follow up progress against the key recommendation made in 2023-24 and ensure that our work assesses the current arrangements in place. See page 39 and 40 for further detail of our value for money risk assessment in the current year.

Audit logistics

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

Our proposed fee for the audit is £473,400 for the Council which is the PSAA scale fee for 2024-25 (PY: £451,736). We anticipate some additional fees will be required in relation to audit work on the implementation of the new IFRS 16 leases accounting standard. This has not been factored into the 2024-25 scale fees. This will be confirmed when our audit work is completed. The proposed fee is subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and / or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

03 Identified risks

Significant risks identified

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

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



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management’s assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

Significant risk Audit team's assessment

Planned audit procedures

<p>Closing valuation of land and buildings, including Council dwellings</p>	<p>Land and buildings: The Council re-values its land and buildings on a rolling three-yearly basis in line with the Code requirements.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £514m at 31 March 2024) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of land and buildings is not materially different from the current value at the balance sheet date, where a rolling programme is used.</p> <p>Council dwellings: The CIPFA Code requires that Council dwellings (some £825m at 31 March 2024) should be valued on the basis of existing use value as social housing and the Council has adopted a beacon methodology.</p> <p>The valuation of land and buildings and council dwellings involves subjectivity and a significant degree of judgement and estimation by management. This is due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The closing valuation of land and buildings and council dwellings was identified as a significant risk, and one of the most significant assessed risks of material misstatement.</p>	<p>The Council holds both specialised and non-specialised buildings. The specialised assets comprise schools and leisure centres among others. The valuation approach is depreciated replacement cost (DRC) with the key valuation assumptions being the rebuild cost, building size and adjustments for obsolescence (buildings age, condition & functionality). The council also holds non-specialised assets such as car parks and offices. These valuations may be undertaken with reference to observable open market values for similar land & buildings or using a capitalisation of income approach. Council dwellings are also considered non-specialised. For dwellings, the beacon methodology is applied which identifies a value based on market comparables, which is then applied to similar properties.</p> <p>In response to this risk we will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls around processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied itself that their carrying values are not materially different to current value at year end • consider, where the valuation date is not 31 March 2025 (as relevant) for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2025 • obtain an assessment from management on potential valuation movements for those land & buildings not revalued in year. We shall review relevant cost- and market-based indices (e.g. BCIS & MSCI) to corroborate management's assessment that the assets' carrying value is not materially different from their current value where no revaluation has been commissioned. We shall consider changes in local market rents and yields for EUV assets, obtaining Huddersfield- and West Yorkshire-specific data where available • agree, 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, obtain 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, obtain comparables from online sold property websites and assess the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we will assess the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites.
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Significant risks identified (continued)

Significant risk Audit team's assessment

Planned audit procedures

Significant risk	Audit team's assessment	Planned audit procedures
<p>Closing valuation of investment properties</p>	<p>The Council re-values its investment property portfolio annually for in line with the Code requirements.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £91m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>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.</p> <p>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.</p>	<p>The Council holds a mixed commercial property and land within its investment property portfolio including retail, industrial and offices. Over 75% of investment property (by value) is land. These valuations may be undertaken with reference to observable open market values for similar land and buildings or using a capitalisation of income approach.</p> <p>We raised one recommendation in the prior period since there were investment properties totalling £9.2m at 31 March 2024 which had not been subject to annual revaluation, which is not compliant with Code requirements for investment properties to be revalued annually. Management asserted that investment properties below £250k are de minimis with no annual valuation required. We recommended that management 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 will follow up on this recommendation as part of our year end audit work in 2024-25.</p> <p>In response to this risk we will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation • test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register • consider, where the valuation date is not 31 March 2025 for assets valued in year, the arrangements management has used to ensure the valuation remains materially appropriate at 31 March 2025 • agree, on a sample basis, the internal floor areas (GIAs) to records held by the estates management function • review 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, obtain market comparables to assess the appropriateness of market rents, market yields and land values selected by management's expert and used in the valuation calculations.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of the pension fund net balance (£90m at 31 March 2024)</p>	<p>The Council's pension fund net balance, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net balance is considered a significant estimate in the financial statements due to the size of the numbers involved to arrive at that net balance (gross asset of £2.5bn and liability of £2.4bn in 2024) and the sensitivity of the estimate to changes in key assumptions.</p> <p>At 31 March 2024, the Council reported a net pension surplus in their financial statements and was subsequently capped at £nil under the principles of IFRIC 14. Gross assets were reduced by just over £0.1bn to reach the £nil balance sheet position. £17m of the net pension liability reflects the Council's obligations in respect of unfunded liabilities, for which there are no pension assets to offset.</p> <p>A key aspect of our work planned is to consider whether this position remains supported by fund-level assumptions and market-based factors.</p> <p>We therefore identified the valuation of the Council's pension fund net balance as a significant risk of material misstatement.</p>	<p>In response to this risk we will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net balance is not materially misstated and evaluate the design of the fund assets valuation in the pension fund financial statements and associated controls • evaluate the instructions issued by management to their management expert (consulting actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the net pension balance • test the consistency of the pension fund figures and disclosures in the draft financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund • evaluate the appropriateness (as applicable) of recognising a pension asset position against the Code and IFRIC 14 criteria • assess the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenge management on the validity and appropriateness of the assumptions used in the calculation including the existence of a minimum funding requirement, the future lifetime of the scheme (in years) and the level of future funding contributions (as a % of payroll costs) • confirm that pension fund asset valuations were based on a 31 March 2025 valuation date • review the accounting for any unfunded liability element of LGPS, including where this has been offset against the net funded LGPS balance.

Risks rebutted

Risk identified	Risk relates to	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Council mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for the Council.</p>	<p>Whilst the risk has been rebutted and we do not consider revenue recognition to be a significant risk for the Council, we shall perform standard audit procedures on this material stream of transactions. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate up to the time of concluding the audit.</p> <p>In respect of income recognised (risk rebutted) we will:</p> <ul style="list-style-type: none"> – Evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code. – For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including the treatment of credited to services and recognition as non-ringfenced other grant income. Testing will also give regard to the treatment of grant income as principal or agent. – For income raised from council tax and non-domestic rates, which are of a predictable nature, we have performed substantive analytical based on the number and value of rateable properties, applying any annual increases to rates as appropriate. – Agree, on a sample basis, income transactions to supporting documentation and cash receipts to evidence the occurrence of these transactions. – We will carry out testing on sample basis of invoices raised and bank receipts either side of the reporting date of 31 March 2025 to determine whether income is recognised in the correct accounting period.

Risks rebutted

Risk identified	Risk relates to	Audit team's assessment	Planned audit procedures
<p>The expenditure cycle includes fraudulent transactions (rebutted)</p>	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.</p> <p>As per PN10, fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>As a result under PN10, there is a requirement on auditors to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams. We have rebutted this risk for the Council because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure for the Council where services are provided to the public through taxpayers' funds. • the Council requires cash to meet its payroll and third-party payment obligations and therefore any manipulation of expenditure between accounting periods does not generate any clear financial benefits. • the Council has a number of contracted key suppliers with whom frequent recurrent transactions are made, which are followed by timely payments, usually within 30 days of receipt of goods. As such, regular bank payments are required to suppliers, which reduces any opportunity to exclude expenditure transactions from being reported in the general ledger. • whilst budget pressures have been identified on page six in respect of adult social care, children's residential placements and home to school transport, direct payments are made to external suppliers on either a weekly or monthly basis. Therefore, there is little opportunity for the Council to exclude this expenditure from the general ledger based on the bank reconciliation procedure and predictability of these expenditure streams over a financial year. • the Council is expected to have £47m of general fund reserves at 31 March 2024, based on the quarter 3 forecast, equivalent to just under 13% of its net revenue budget. This exceeds the broad 5% target in the LG sector and as such the availability of reserves to fund the Council's expenditure does not indicate excessive pressures at the Council. • the Council has clear and transparent reporting of its financial plans and financial position, including regular reporting of budget variance analysis to its Senior Management Team, the Cabinet and Corporate Governance and Audit Committee. <p>We also considered the risk of fraudulent expenditure recognition in relation to capital expenditure and concluded that it is not a significant risk.</p> <p>We have considered the material risk of improper expenditure and we have identified an elevated risk in relation to completeness of operating expenditure however, we do not consider this to be a significant risk of material misstatement at this time.</p>	<p>Whilst the risk has been rebutted and we do not consider expenditure recognition to be a significant risk for the Council, we shall perform standard audit procedures on this material stream of transactions. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate up to the time of concluding the audit.</p> <p>In respect of expenditure recognised (risk rebutted) we will:</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code. • Update our understanding of the system for accounting for the expenditure and procedures to ensure the completeness of expenditure recorded in the financial year. • Undertake a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year are supported by underlying data including enacted pay awards and movements in workforce numbers. • Agree, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded. • Inspect a sample 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 post year end. • Complete substantive testing of expenditure streams in 2024-25 including sample testing material transactions. • Design and carry out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2025.

Other risks identified

Other risks are, in the auditor’s judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the Council.

Risk	Audit team’s assessment	Planned audit procedures
IFRS 16 Implementation	<p>The adoption of the IFRS 16 leases standard for local authorities has been deferred several times by the CIPFA Local Authority Code Board. Adoption is now mandated for local authorities, for periods beginning from 1 April 2024, and therefore this is required to be implemented by the Council during its 2024-25 period of account</p> <p>From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees. IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors.</p> <p>In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called ‘peppercorn’ rentals. This is one instance where the right of use asset and its associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.</p> <p>The application of the IFRS 16 standard will also impact on Council’s PFI liabilities which subject to annual indexation for retail price inflation (RPI). Previously, such additional PFI rentals were accounted for as a charge to the revenue account as expenditure (contingent rents). The impact of the new accounting standard is to account for these additional PFI rentals within the PFI model, which will result in these being split between operating costs, repayment of the lease creditor and interest costs. As a result, an overall increase in the value of the PFI liability is expected following application of the IFRS 16 standard to PFI liabilities. In terms of the I&E impact, we are expecting to observe a decrease in PFI contingent rents charged to expenditure and an increase in depreciation charges and lease interest costs.</p> <p>Key judgements include:</p> <ul style="list-style-type: none"> • determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority’s threshold for capitalising owned assets • determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term • where the interest rate cannot be readily determined, the Council’s incremental borrowing rate should be used. There are judgements entailed in how this should be determined given that as per the Code it needs to reflect term, security, and the value of the asset • the valuation of the right of use asset after recognition. An expert valuer may be required to support management with this. <p>We have therefore identified completeness of the identification of leased assets and subsequent valuation as an other risk.</p>	<p>In response to this risk we will:</p> <ul style="list-style-type: none"> • Obtain the Council’s live contracts register and copies of signed lease agreements, to assess the completeness of arrangements identified as being within the scope of the IFRS 16 leases accounting standard. This is deemed to be our biggest audit risk on this issue. • Agree disclosures presented in the financial statements to underlying accounting records and calculations. • Review management’s lease accounting calculations, and assess the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals. • Review the Council’s IFRS16 implementation processes to identify relevant transactions such as peppercorn leases and leases that have “rolled over” at the end of the term. • Review the proposed accounting policy and right of use asset valuation approach. • Assess how leases with options to extend or terminate have been identified and the likelihood of these options to be exercised.

Other matters

Other work

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

- We read your Narrative Report and Annual Governance to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors within the borough the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.



“The auditor determines whether there are any risks of material misstatement at the assertion level for which it is not possible to obtain sufficient appropriate audit evidence through substantive procedures alone. The auditor is required, in accordance with ISA (UK) 330 (Revised July 2017), to design and perform tests of controls that address such risks of material misstatement when substantive procedures alone do not provide sufficient appropriate audit evidence at the assertion level. As a result, when such controls exist that address these risks, they are required to be identified and evaluated.” (ISA (UK) 315)

04 Our approach to materiality

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter Description

Planned audit procedures

<p>01 Determination</p> <p>We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as taxpayer, service user and stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.</p> <p>Materiality at the planning stage of our audit is £18.4m, which equates to 1.5% of your prior year (2023-24) gross expenditure on the cost of services (prior year: £16.2m). As set out on page 8 we are not anticipating group a/cs in 24-25 therefore no group materiality has been set.</p>	<ul style="list-style-type: none"> We determine planning materiality in order to: <ul style="list-style-type: none"> establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements assist in establishing the scope of our audit engagement and audit tests determine sample sizes assist in evaluating the effect of known and likely misstatements in the financial statements.
<p>02 Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature where it may affect instances when greater precision is required.</p>	<ul style="list-style-type: none"> We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20k.
<p>03 Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will reconsider our materiality level upon receipt of the Council's draft 2024-25 financial statements which are expected at the end of June 2025.
<p>04 Matters we will report to the Corporate Governance and Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<ul style="list-style-type: none"> We report to the Corporate Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.9m (PY £0.81m). If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance and Audit Committee to assist it in fulfilling its governance responsibilities.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality area	Materiality	Qualitative factors considered
Materiality for the Council's financial statements	£18.4m	This equates to 1.5% of the Council's gross expenditure on the cost of services for 2023-24 based on the audited statement of accounts for the year then ended. This is greater than the 1.35% measurement percentage used in the prior period. We have reached this judgement on the basis that this is now our seventh year as external auditors to the Council and we have developed a great deal of cumulative knowledge and experience over this period. We note that no material errors impacting on useable reserves have been identified in prior periods and there is stability in the Council's Senior Management Team in addition to some improvements in the Council's overall financial standing. These factors have indicated that increasing the measurement percentage to 1.5% is appropriate. Our overall risk assessment at the planning stage supports the 1.5% benchmark applied.
Performance Materiality (PM)	£12.8m	The performance materiality has been set at 70% of financial statement materiality, consistent with the measurement percentage used in the prior period. This reflects our risk assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Trivial Matters	£0.9m	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements. This equates to 5% of headline materiality. We will report all misstatements identified in excess of £900k to Corporate Governance and Audit Committee.
Materiality for specific transactions, balances or disclosures	£20k	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

05 Progress against prior year audit recommendations

Progress against prior year audit recommendations

We identified the following issues in our 2023-24 audit of the Council's financial statements, which resulted in ten recommendations being reported in our short form 2023-24 Audit Findings (ISA260) Report. We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.

Assessment	Issue and risk previously communicated:	Update on actions taken to address the issues:
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Outlier data used in the calculation of the annual leave accrual</p> <p>The calculation of the year end accrued leave creditor in 2023-24 was based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative & owed to the Council) and the highest at 315 days accrued. The average was 11 days but the middle value (median) was almost half of that at just below 6 days. This gave rise to some estimation uncertainty in the calculation of the accrual albeit this was not deemed material.</p> <p>We recommended that a data collection exercise take place in the remaining months of the financial year and any outliers are appropriately challenged by management.</p>	<p><i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i></p>
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Employee Handbook – Document Out of Date</p> <p>Our review of the Employee Handbook, that sets out the terms and conditions of employee service, highlighted that this was last updated October 2015. This is a key document and around 9 years since its last update, there may have been changes in the working environment, one of these may be the Council's protocols in respect of hybrid and remote working.</p> <p>We recommended that this Employee Handbook document be updated to capture changes in the working environment and the Council's working practices and policies. We suggested that this be completed within the next six months (targeting mid-2025).</p>	<p><i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i></p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Adult Social Care – Client Contributions – accurate recording in general ledger</p> <p>Our work on testing fees and charges – adult social care client contributions identified a sample with an annual contribution value in the general ledger did not agree to the individual’s financial assessment used to determine the annual client contribution. Whilst the client had been correctly invoiced as per their financial assessment and this did not give rise to a material issue in the annual accounts, we noted that the Council should ensure that transactions are accurately reflected in its general ledger.</p> <p>We recommended that work continue to develop a direct interface between the Mosaic system (adult social care subsystem) and general ledger to prevent such errors from occurring in the future. We also recommended that service accountants conduct an additional reconciliation/review procedure during 2025 closedown to identify any errors prior to draft accounts being produced.</p>	<i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i>
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Investment Property – Ensuring Code compliance in respect of the requirement for and annual revaluation of the whole asset class</p> <p>Investment properties are required to be revalued annually in accordance with the CIPFA Code. At 31 March 2024, there were investment properties totalling £9.2m which had not been subject to annual revaluation, which was not compliant with Code requirements. Management asserted that investment properties below £250k are de minimis and trivial to the overall balance of investment property by the Authority.</p> <p>The value of this sub-£250k population currently excluded from the Code requirement for an annual valuation has risen in recent years towards our audit performance materiality threshold of £11.3m. Given the continued increases, we reported that there is a risk that the Council does not comply with CIPFA Code requirements, to a material extent, which could impact on the auditor’s opinion in future periods.</p> <p>We recommended that Management 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.</p>	<i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
<p>To be confirmed in our ISA260 Audit Findings report due January 2026)</p>	<p>Use of recharges in the Council’s financial statements without supporting data and a reconciliation process to verify the validity of these recharges</p> <p>The Council uses a number of recharges in the financial statements to allocate costs to services in order to record the total cost of delivering each service. There are also a number of instances when an internal service deliver services for another service – for example, repairs carried out on a Council-owned school by building services would result in an internal recharge to the school’s budget. From a financial accounts perspective, this internal charges should be eliminated as they do not represent income and expenditure with third-parties. Leaving internal transactions in the accounts serves to gross up both income and expenditure but are not a true reflection of the quantum of the Council’s transactions with third-parties in any given year.</p> <p>Currently, the procedures for recording and coding recharges in the general ledger are not sufficient to be able to match income and expenditure recharges and eliminate these out of the accounts. The current process is to record an amount for income recharged and designate this as Income - Internal Recharges at note 9 in the accounts, however, this cannot be matched against the expenditure to be recharged and therefore, the accuracy and validity of this value cannot be practicably demonstrated to the external auditors.</p> <p>We recommended that further work be undertaken on the Council’s processes for accounting for internal income and expenditure, making any changes to processes as appropriate in order to eliminate the need for recharges to be posted in the general ledger. We noted that direct charging my be one option, alternatively the Council could opt to improve the coding and transparency within the general ledger so that recharged transactions can be eliminated at the time of preparing the financial statements.</p>	<p><i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i></p>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Maintaining up to date knowledge of the Council’s buildings estate</p> <p>Our audit work identified examples where changes to the function, internal floors areas of buildings within the Council’s buildings portfolio including one school that has been taken out of service, and these changes in estate have not been notified to the finance function or management’s external expert valuer. These cases identified that decisions appear to have been taken by the service but the relevant information and likely impact on the buildings portfolio, has not flowed to the capital finance team to be considered and reflected as appropriate in the annual accounts.</p> <p>We recommended that management build in additional communication between each relevant service, estates, the capital finance team and the external valuer. This is to include identifying key changes to buildings such as closure / decommissioning, a significant change in opening hours, repurposing and marketing a building for sale.</p>	<i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i>
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Additions posted in quarter 4 (post valuation) for other land & buildings and council dwellings</p> <p>Under existing arrangements, all capital spend posted as capital additions is currently accounted for by the Council as value enhancing, and therefore it does not give rise to any immediate impairment of the spend capitalised. For spend capitalised in quarters 1 through to 3, the Council’s valuers are able to undertake an assessment as at the valuation reference date of 31 December whether capital spend is value enhancing or non-enhancing. This judgement either support the new carrying value or impairs the asset down to its pre-capital addition carrying value. However, for capital spend posted in quarter 4, current arrangements do not afford the expert valuer an opportunity to assess whether amounts capitalised should increase the net book value or alternatively, be capitalised and impaired concurrently.</p> <p>We reported that the capital accounting function should consider how current processes can be enhanced to appropriately identify non value enhancing capital spend posted in quarter 4 of the financial year, and for this to be impaired so that the closing valuation of land & buildings is not overstated. This may include additional working with the Council’s external expert valuers, to build in additional process steps in order to address this matter.</p>	<i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Appropriate challenge by management of the external valuer on the valuation approach – Mainstream schools & Energy from Waste Facility</p> <p>Valuation of mainstream schools – in the Council’s accounts, schools were 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.</p> <p>We recommended that the Council develop a clearer rationale as to whether 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.</p> <p>Valuation of the energy waste facility – in the Council’s accounts, this asset was valued based on its end life being 2028 giving a 4-year remaining useful economic life. We 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.</p> <p>We recommended that Council officers 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. This included holding discussions with internal surveyors to ascertain the relevant factors around the valuations such as current usage, expected remaining service life, capital lifecycle and renewal costs expected in future accounting periods and then communicating these factors with management’s external expert valuer.</p>	<i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i>

Progress against prior year audit recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>IFRS 16 ‘Leases’ implementation from 1 April 2024</p> <p>IFRS 16 is required to be implemented by local authorities from 1 April 2024. This process is a time and resource consuming exercise, to identify such lease contracts and ensure they are complete and accurate.</p> <p>The Council has reported on this Standard in its 2023-24 financial statements, indicating that work on the implementation of the above Code change was ongoing and the full impact on the Council’s single entity accounts has not been fully assessed yet.</p> <p>A Council of Kirklees’ size (large metropolitan Council) would potentially have many such contracts to be considered/identified, to identify those that are within the scope of the IFRS16 standard. 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.</p> <p>We recommended the Council to accelerate the implementation and identification process of assets within the scope of IFRS16 to ensure such assets are completely and accurately captured before 2024-25 accounts closedown.</p>	<i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i>
To be confirmed in our ISA260 Audit Findings report due January 2026)	<p>Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice</p> <p>Our review of the prior year Narrative Report highlighted a number of areas where we consider additional detail could be added in order to more clearly satisfy the requirements of the CIPFA Code. As per the Code, the Narrative Report should identify and present a range of the Council’s non-financial performance indicators (e.g. KPIs) and provide an accompanying narrative commentary setting out an assessment of the Council’s non financial performance during the year. The Code also states that the Narrative Report should contain appropriate detail for a user to evaluate future sustainability and the effect on service provision, including assessing future cash flows. It was our view that additional detail would be beneficial in the report to properly address these requirements.</p> <p>We recommended that the Council refresh its Narrative Report checklist to ensure all Code requirements are captured in this financial year (2024-25).</p>	<i>We will consider implementation of this during the year-end audit and summarise our thoughts in the ISA260 Report.</i>

06 IT audit strategy

IT audit strategy

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

The following IT system has been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the level of assessment required. We will keep this under review as the audit progresses and update our understanding if there are additional IT systems within the scope of the audit.

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

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

07 Value for Money Arrangements

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Financial sustainability

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



Governance

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

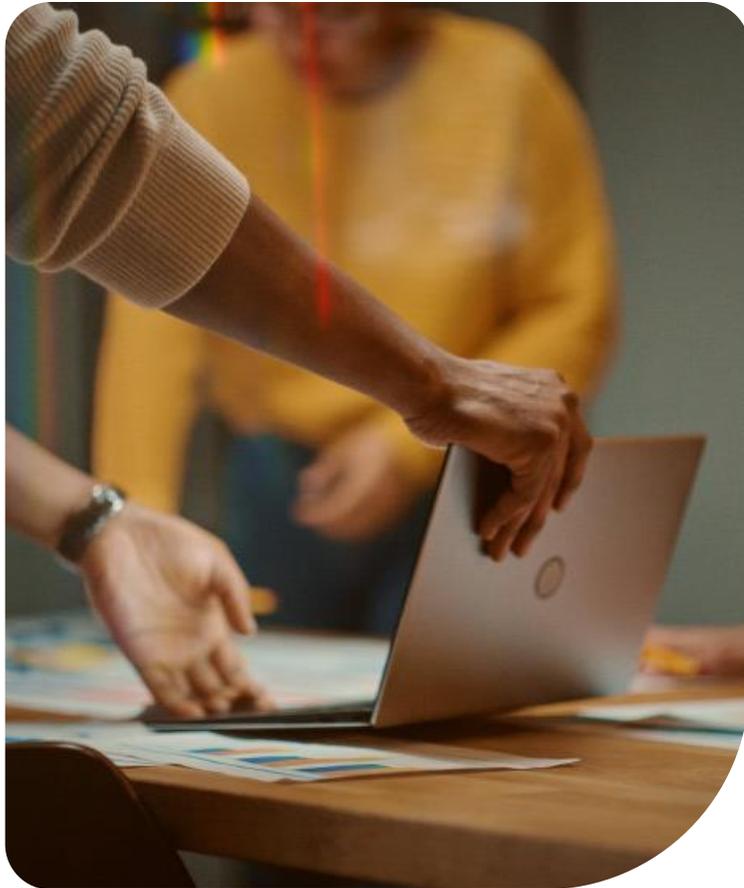


Improving economy, efficiency and effectiveness

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



Risks of significant VFM weaknesses



As part of our initial planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Statutory recommendation

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.

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor’s work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024-25. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023-24 Auditor judgement on arrangements	2024-25 risk assessment	2024-25 risk-based procedures
Financial sustainability	<p>R</p> <p>We identified two ongoing significant weaknesses in arrangements in our prior year report that resulted in two key recommendations being raised:</p> <ul style="list-style-type: none"> The first significant weakness was in respect of the Council’s financial sustainability given the Council had continued to overspend on its general fund revenue budget and reserves had reduced. The key recommendation arising was for the Council to continue to build on its work to strengthen its financial position through delivering budgeted savings and managing expenditure to outturn as close to its budgeted position as possible, reviewing pressures, assumptions and future savings levels in the MTFs, and reviewing its targeted level of reserves in future years of the MTFs. The second significant weakness was in respect of the Council’s Dedicated Schools Grant deficit. The Council was off track in delivering its planned reduction in the accumulated deficit as at last year end. The key recommendation arising was for the Council to take action to return its spend on DSG back in line with its renegotiated Safety Valve management plan with DfE. <p>We also raised two improvement recommendations.</p>	<p>Two risks of significant weakness identified based on the two significant weaknesses identified and reported in the prior year.</p> <p>Risks of significant weakness at the planning stage include:</p> <ul style="list-style-type: none"> Financial sustainability (controlling expenditure, delivering savings and sustaining reserves balances) Addressing the DSG deficit position. 	<p>We will follow up progress against the key recommendations and improvement recommendations made and ensure that our work assesses the current arrangements in place.</p>
Governance	<p>R</p> <p>Our work did not identify any areas where we considered that key recommendations were required. We raised four improvement recommendations.</p>	<p>No risks of significant weakness identified.</p>	<p>We will follow up progress against the improvement recommendations made and ensure that our work assesses the current arrangements in place.</p>

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our Auditor’s Annual Report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor’s Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor’s Report and included within our 2024-25 audit opinion.

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Risks of significant weakness in VFM arrangements (continued)

Initial Risk assessment of the Council’s VFM arrangements (continued)

Criteria	2023-24 Auditor judgement on arrangements	2024-25 risk assessment	2024-25 risk-based procedures
Improving economy, efficiency and effectiveness	<div style="background-color: red; color: white; text-align: center; padding: 5px; font-weight: bold; font-size: 1.2em;">R</div> <p>We identified a significant weaknesses in arrangements in our prior year report that resulted in a key recommendations being raised:</p> <ul style="list-style-type: none"> The significant weakness was in arrangements in relation to the Council’s social housing compliance with the Social Housing Regulator standards. The key recommendation arising was for the Council to improve arrangements to ensure that issues raised by the Social Housing Regulator are addressed, including fire remedial actions from fire assessments, repairs required to address damp and mould and water quality testing. <p>We also raised four improvement recommendations.</p>	<p>One risk of significant weakness identified based on the significant weaknesses identified and reported in the prior year.</p> <p>Risk of significant weakness at the planning stage includes:</p> <ul style="list-style-type: none"> Arrangements in relation to the Council’s social housing compliance with the Social Housing Regulator standards. 	<p>We will follow up progress against the key recommendation and improvement recommendations made and ensure that our work assesses the current arrangements in place.</p>

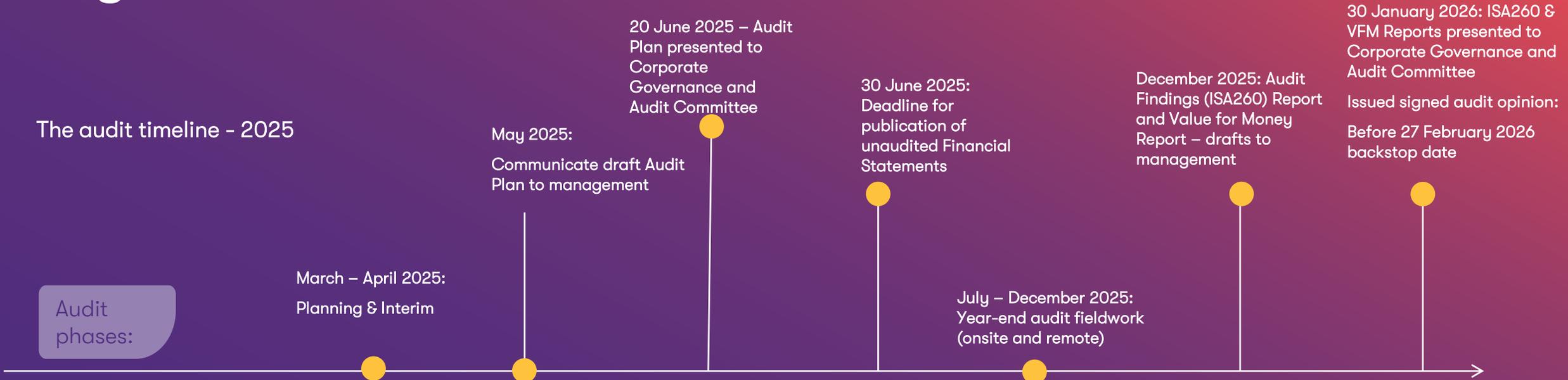
We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our Auditor’s Annual Report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor’s Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor’s Report and included within our 2024-25 audit opinion.

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

08 Logistics

Logistics

The audit timeline - 2025



Audit phases:

Key elements

- Planning undertaken including meetings with management
- Audit scoping and risk assessment to be completed
- Completion of system walkthroughs and document relevant controls
- Review of key judgements and estimates
- Commence VFM inquiries
- Discuss timetable and deliverables with management

Key elements

- Audit teams to complete fieldwork and detailed testing using a hybrid approach (on-site and remote)
- Weekly update meetings with management to help ensure progress and identify issues as they arise.

Key elements

- Audit Findings (ISA260) Report shared and agreed with management
- Audit Findings (ISA260) Report issued to Corporate Governance and Audit Committee
- Audit Findings (ISA260) Report presentation to Corporate Governance and Audit Committee
- Auditor’s Annual Report draft issued to management (December) and reported to Corporate Governance and Audit Committee in January 2026
- Finalise and sign financial statements and audit report before the backstop date of 27 February 2026.

Our team and communications

Grant Thornton core team

Gareth Mills

Engagement Lead & Key Audit Partner

- Key contact for senior management and Corporate Governance and Audit Committee
- Overall quality assurance supported by EQR Partner

Greg Charnley

Audit Senior Manager

- Audit planning
- Main contact for the finance team
- Project and Resource management of the delivery of the audit
- Performance management reporting

Aanchal Singla

Audit Assistant Manager

- Audit team management
- Day-to-day point of contact
- Audit fieldwork lead contact

Ginette Beal

VFM Audit Manager

- Value for Money planning and risk assessment
- Main contact for review of VFM arrangements
- Preparation of the VFM commentary in the Auditor’s Annual Report

Pool of specialists and other technical specialists:

- Internal IT audit team
- Internal property valuations team.

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

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

09 Fees and related matters

Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Kirklees Council to begin with effect from 2023-24. The scale fee set out in the PSAA contract for the 2024-25 audit is £473,400.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final Auditor's Annual Report on VFM arrangements for the previous Audit Year
- Production of the draft Audit Plan report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards:

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

	Audit Fee for 2023-24	Proposed fee for 2024-25
Kirklees Council Scale Fee (per PSAA contract)	£425,058	£473,400
Additional fee relating to the use of an auditor's expert for the valuation of property not included within the PSAA 2023-24 scale fee.	£10,988	-
Increased audit requirements of ISA 315 Revised – "Identifying and assessing the Risks of Material Misstatement" – (new controls requirement not included in the PSAA 2023-24 scale fee)	£15,690	-
Increased audit requirements relating to the review of the Council's implementation of the newly applicable IFRS 16 Leases accounting standard not included within the PSAA scale fee for 2024-25. Once we have completed our review of IFRS 16 we will confirm the additional fees – see page 10 for further details on IFRS 16 work	-	£ TBC
Total audit fees (excluding VAT)	£451,736	£473,400 (TBC)

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- Closing valuation of land and buildings including council dwellings and investment properties
- Valuation of LGPS defined benefit pension balances.

There may be a reduction in the fee as a result of group a/cs not longer being required. The level of any fee reduction will need to be discussed and agreed with PSAA.

Previous year

In 2023-24 the scale fee set by PSAA was £425k. The actual fee charged for the audit was £452k.

10 Independence considerations

Independence considerations

Auditor independence

As we are Statutory Auditors of the Council in the United Kingdom (“UK”), we are required to follow International Standard on Auditing (UK) 260 and the Ethical Standard (December 2024) issued by the UK Financial Reporting Council (the “FRC Ethical Standard” or “The Standard”). We have determined that Kirklees Council is a public interest entity and therefore the relevant requirements of the FRC Ethical Standard have been applied and have been included in this letter. Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers). All the above referenced Standards require that we communicate at least annually with you regarding all relationships between Grant Thornton UK LLP in the UK (“Grant Thornton UK”) and other Grant Thornton firms and associated entities (“Grant Thornton”) and covered persons (as defined in the FRC Ethical Standard) and the Company, 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. In this context, we confirm that there are no matters that we are required to report.

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

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

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements. Furthermore, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Following this consideration we can confirm that we are independent at planning and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Fees and non-audit services

The following table below sets out the non-audit services charged from the beginning of the financial year to date of issue of the Audit Plan as well as the threats to our independence and safeguards have been applied to mitigate these threats. The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and none of the below services were provided on a contingent fee.

For the purposes of our audit we have made enquiries of all Grant Thornton teams providing services to Kirklees Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived threats from these fees. We confirm that the fees from non-audit services subject to cap do not exceed 70% of the audit fee.

Audit Related Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits claim 2023-24	68,500 (base fee)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £68,500 in comparison to the total fee for the audit of £473,400 and in particular relative to Grant Thornton UK turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the form MPF720A submission and are carrying out work on the information submitted to the Department for Work and Pensions (DWP) by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to DWP)	We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the local authority at the same time. If any amendments need to be made to form MPF720A as a result of the reporting accountant's work, these will be discussed and agreed with the member of informed management who is authorised by the Strategic 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 (Strategic 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	5,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the base fee for this work is £5,000 in comparison to the total fee for the audit of £473,400 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.

Fees and non-audit services (continued)

Audit Related Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers' Pensions return	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £473,400 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	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 £473,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the submission and are carrying out work on the information submitted to MHCLG by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to MHCLG)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by MHCLG and on its completion issue a report of factual findings. The local authority and MHCLG form their own conclusions on the report. The report is restricted to those parties who have agreed to the procedures to be performed (being the local authority and MHCLG).

Fees and non-audit services (continued)

Audit Related Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of compliance with subcontracting funding rules Education and Skills Funding Agency – post 16	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit of £473,400 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.
Total	102,000		

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity of the firm and senior engagement team members	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern including support measures when making the going concern assessment	●	●
Key audit partners involved in the audit		●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Methodology used to perform the current year's audit and details of any substantial variation between system and compliance testing from the previous year		●
Quantitative level of materiality determined and qualitative factors considers in its determination		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		●
Significant matters arising in connection with related parties		●

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

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

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

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

12 Delivering audit quality

Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

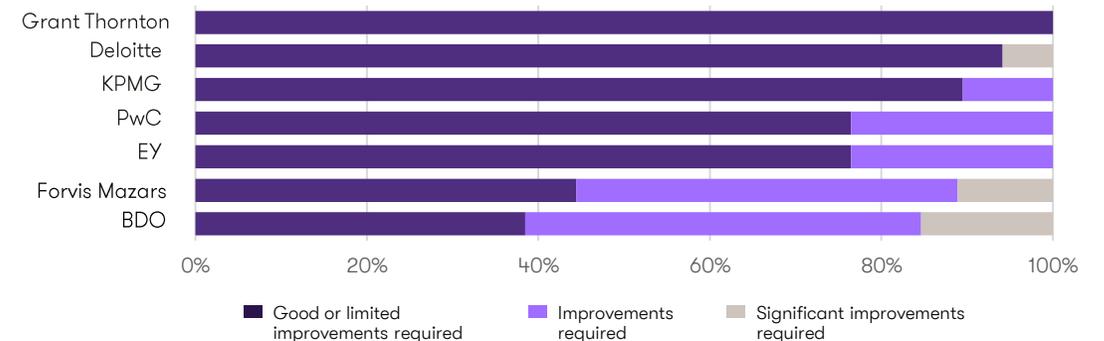
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection (% of files awarded in each grading, in the most recent report for each firm)



13 Appendices

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The 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 year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code in future years.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code in future years.



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