Audit Findings (ISA 260) Report for Kirklees Council

Year ended 31 March 2025

21 January 2025

For Corporate Governance and Audit Committee

Grant Thornton

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Audit Findings (ISA260) Report for Kirklees Council for the year ended 31 March 2025

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

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

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

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf (grantthornton.co.uk).

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

Gareth

Gareth Mills
Engagement Lead & Key Audit Partner
For Grant Thornton UK LLP

Contents

1 Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Kirklees Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to report whether, in our opinion:

- the Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed on a hybrid basis of on-site and remote work between July and December. As with prior years, we are pleased to report that there has been a good level of engagement from the Council's finance team during the audit process. We recognise the earlier audit close required in future years due to the accounts backstop dates moving to 30 November from 2027. We update about this further on page 9 of the report.

This Audit Findings (ISA260) report will be presented to Corporate Governance and Audit Committee on 30 January 2026. Our anticipated financial statements audit report will be an unmodified, 'clean' opinion. We intend to issue the audit opinion in early February 2026 following the CGAC meeting. We note that the Council is expected to receive a fully completed audit opinion subject to a satisfactory resolution of the matters listed overleaf. It ensures the Council avoids being impacted by disclaimer opinions as a result of the backstop (see page 9) unlike a majority of other local authorities. This is a positive outcome for the Council.

The Council implemented the new IFRS 16 Leases accounting standard in 2024-25 and our work did not identify any material issues with the Council's implementation of this accounting standard in the draft financial statements in terms of identifying relevant leases and accounting for these accurately on transition. This represents a good outcome for the Council. We did identify one matter of a presentational nature in respect of the accounting for a change in valuation of PFI assets following the initial application of IFRS 16, which resulted in an adjustment to the draft financial statements. This is set out on page 44 of this report.

We have not identified any misstatements in the draft financial statements, which impact on the Council's usable reserves and this represents another good outcome for the Council.

We identified one misstatement impacting on the Council's Comprehensive Income and Expenditure Statement, which had resulted in an overstatement of specific grant income (credited to services) totalling £1.075m with a corresponding overstatement of expenditure. There is no impact on the financial outturn or useable reserves. This has not been adjusted by management on the grounds of materiality.

We also identified three misstatements which only impact on the Council's balance sheet position, once the local government capital accounting provisions are taken into account. These are set out on pages 47 to 50. These remain unadjusted in the final accounts.

Our work also identified some presentational and disclosure amendments which are detailed on pages 51 to 53 of this report. We have also raised four new recommendations for management as a result of our audit work. These are set out on pages 54 to 57. We have followed up on the recommendations raised in the prior year from page 58 through to page 64. We note that a high proportion of the recommendations raised in the prior year have not been implemented by management in time for the accounts closedown in 2024-25. We strongly recommend that all recommendations are implemented ahead of the 2025-26 accounts closedown.

Headlines

Financial statements (continued)

We have considered it appropriate to highlight two of the high priority recommendations from the prior year, in relation to which we do not consider that significant progress has been made to address these. Both areas have resulted in an increased amount of time and effort on both our side and that of the Council and we strongly recommend that both these areas are actioned prior to the 2025-26 accounts closedown.

The first area to draw out is the Council's cash flow statement, which is designated as a primary accounting statement under applicable accounting standards and is typically a straightforward area of the audit which does not take excessive time to audit. Unlike more local authorities which use a CIPFA model, the Council has an internally-developed model to prepare this statement, which we understand has been the Council's long-standing adopted approach to the preparation of this statement. During the last two cycles of external audit, we have flagged concerns that the sections of the statement presenting net cash flows for investing activities and financing activities include non-cash-based transactions, which should not be included in these sections. As was the case in the prior year, we have identified misstatements arising from the presentation of this primary accounting statement. These are set out on page 53 of this report. Whilst we are pleased that agreement on misstatements has been reached this year end, we consider that there are steps that finance officers can take to improve the accuracy of the statement and supporting working papers in future and so an auditor recommendation has been raised on page 56 of this report.

The second area we would like to draw attention to is the source data provided to the Council's buildings estate valuer, termed gross internal area data, which is used by the valuer to establish the precise size of Council buildings so a reliable estimate can be made as to their current value, and buildings are required to be carried at that value on the Council's balance sheet as per the local authority accounting code. In the prior year we reported inaccuracies in that data identified from our audit testing and raised a recommendation in our ISA260 Report. Unfortunately, we have encountered similar issues from our audit testing in the current year which has given rise to an extrapolated error of £4.1m, which is of greater magnitude that in the prior year (£3.3m). We understand that local authority accounting is moving to a model of indexing building valuations between formal valuations, however, under that approach it will remain crucial that the initial valuation is accurate. We have opted to re-raise our recommendation to management for these inaccuracies to be reviewed and resolved in time for 2025-26 closedown and this is detailed on page 61 of this report.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters: completion of internal quality review processes, including final reviews of the file by the Quality Review Partner, Engagement Lead and Engagement Manager, specifically in respect of the significant audit risks of the closing valuation of land and buildings and council dwellings, journal entry testing and valuation of the defined benefit pension scheme net balance.

- confirmation from the pension fund and its auditor that its audit misstatements identified have been adjusted for in the revised statement of fund assets provided to the Council
- review of the final set of financial statements to check agreed amendments have been processed
- updating our post balance sheet events review, up to the date of signing the opinion.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability
- Governance.

We have completed our value for money work and our detailed commentary is set out in the separate Auditor's Annual Report, which is to be presented to Corporate Governance and Audit Committee on 30 January 2026 alongside this report.

We identified three significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Significant weakness 1: Financial Sustainability – Weaknesses in the Council's overall financial standing

The revenue outturn in 2024-25 was an overspend of £5.6m. Services overspent by £13.5m in-year, with the largest variances in the Children and Families (£5.7m), and Place (£6.3m) directorates. The £5.7m overspend in Children and Families was despite use of £1.5m from the earmarked demand reserve. The Council continues to face significant financial pressures in the short and medium-term as a result of demand and cost pressures within social care, with an estimated cumulative budget gap of £56.3m in the period to 2030-31. ***Key recommendation:*** The Council should continue to build on its work to strengthen its financial position.

Significant weakness 2: Financial Sustainability – Under delivery against Dedicate Schools Grant (DSG) Safety Valve management plan with DfE and continued DSG overspends that are adversely impacting the plan to remedy the deficit

The Council's Dedicated Schools Grant (DSG) deficit has also continued to increase, with an in-year overspend of £20.1m. The cumulative deficit stood at £63.8m at the end of 2024-25, compared with the Safety Valve agreement plan of £63.3m. This deficit is already 105% of the Council's total usable reserves and is forecast to continue increasing. ***Key recommendation:*** Action is required to bring the Council's spend on DSG back in line with its renegotiated Safety Valve management plan with DfE.

Significant weakness 3: Social Housing Regulator's Regulatory Notice – The Council's failure to meet statuary health and safety requirements

In March 2024, the Social Housing Regulator published a Regulatory Notice identifying that the Council was failing to meet statutory health and safety requirements in some council homes. Remedial actions required by the Council to address the issue include: fire remedial actions resulting from fire assessments, repairs to address damp and mould and conducting water quality testing. Progress has been made towards completing fire remedial actions and addressing the damp and mould backlog. However, despite these positive developments, further progress is still required before the Council is able to demonstrate compliance with the relevant regulatory standards. Management has communicated that this progress is ongoing in 2025-26 and that the Council is working towards demonstrating compliance with the relevant regulatory standards. ***Key recommendation:*** The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing.

Headlines

Statutory duties

The Local Audit and Accountability Act 2014 (the 'Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the Whole of Government Accounts audit has been certified by the Comptroller and Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

In addition, we cannot issue our audit certificate for 2024-25 or 2023-24 until we have concluded our work on the Objections raised in 2023-24 regarding the Council's oversight of the investment strategy of the Pension Fund. We are aiming to conclude our work on the Objections in 2026.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Headlines

National context – Accounts backstop

Local Authority accounts 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.

Our response

Our audit findings are to be presented to Corporate Governance and Audit Committee in January 2026 following operational completion of detailed audit work in December 2025. We recognise that for the 2026-27 audit and accounts cycle, the backstop date has been set at 30 November and as such there is a requirement to complete our audit work to a more compressed timetable. As audit practitioners, we are developing strategies which should enable us to deliver our audit work to the revised national timetable and conclude and report our findings in advance of the backstop dates. Some of these initiatives include rebalancing remote, office and on-site audit work and frontloading more audit work to the planning and interim audit stages.

We understand from our discussions with the finance team that, like us, they are keen for the 2025-26 audit to be concluded earlier, and we are looking forward to working with finance officers in the process of refining and optimising the external audit process in the coming year with the aim of presenting our Audit Findings (ISA260) report alongside our Auditor's Annual Report with our value for money findings to Corporate Governance and Audit Committee in November 2026. There is a joint aim to use the 2025-26 accounts and audit process as a 'dry-run' for the end of November 2026, one year ahead of the statutory date moving to 30 November 2027.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government 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.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

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 the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

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

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

The principles of IFRS 16 also apply to the accounting for PFI liabilities, which are subject to annual indexation using 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 is expected to result in an overall increase in the value of the PFI liability on the balance sheet.

Impact on the Authority

As expected, the material impact on adoption of the IFRS 16 occurred in respect of the Council's PFI liabilities, whereby the liability was indexed to account for the cumulative impact of indexation since the commencement of the contract. This impacted on the Council's balance sheet with a £19m increase in the carrying value of the Council's PFI liabilities at 1 April 2024.

Right of use assets with corresponding lease liabilities were also recognised on day one of the accounting period for approximately 210 vehicles with a total cost on initial recognition of £1.3m and a carrying value at year end of £0.47m, with the fall in value over the year representing vehicle depreciation charged. It is to be noted that these vehicles were mid way through their leases at the time of initial recognition and hence why the closing balance appears low.

The Council also recognised two land and building assets on its balance sheet as right of use assets on adoption of IFRS 16. These were Wellhouse Junior & Infant School, a primary school with approx. 80 pupils on roll and a storage compound next to a council depot in Heckmondwike.

2 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 9 June 2025, we determined materiality at the planning stage to be £18.4m based on 1.5% of the Council's prior year gross expenditure on the cost of services. On receipt of the draft accounts, we reconsidered planning materiality based on the draft financial statements. Materiality has remained at the same level as determined at the planning stage and equates to 1.47% of gross expenditure on the cost of services for 2024-25.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We determined materiality at £18.4m based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as prior year audit findings and consideration of the risks associated with the audit of the financial statements.
- We used 1.5% of the prior year's gross expenditure on the cost of services as the basis for determining materiality.
- As communicated at the planning stage, the 1.5% measurement percentage is greater than the 1.35% used in the prior period. We reached the judgement to increase this in 2024-25 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 were identified in prior periods and there is stability in the Council's Senior Leadership Team in addition to some improvements in the Council's overall financial standing.

Performance materiality

- We have determined performance materiality at £12.8m, this is based on 70% of headline materiality. There has been no change to the level of performance materiality determined at the planning stage and the 70% remains consistent with the measurement percentage used in the prior period.
- The level determined reflects the fact that the Council has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.

Specific materiality – Remuneration disclosures

- 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.

Reporting threshold

- This has been determined to be £0.9m, equivalent to 5% of headline materiality.
- We will report all misstatements identified in excess of this threshold to Corporate Governance and Audit Committee, in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

Materiality area	Amount	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 1.5% 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 Leadership 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 supports the 1.5% benchmark applied.
Performance Materiality (PM)	£12.8m	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 (reporting threshold)	£0.9m	This is 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 report all misstatements identified in excess of £0.9m to Corporate Governance and Audit Committee.
Specific Materiality – Senior Officer Remuneration 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 senior officer remuneration disclosures 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.

3 Overview of significant and other risks identified

Overview of audit risks

The below table summarises the key audit matters, significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we have identified.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Key audit matter	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	×	Medium	Green
Closing valuation of land and buildings, including council dwellings	Significant	↔	×	✓	High	Green
Closing valuation of investment properties	Significant	↔	×	✓	High	Green
Valuation of the defined benefit pension scheme net balance	Significant	↔	×	✓	High	Green
Presumed risk of fraud in revenue recognition (rebutted)	Rebutted the risks	↔	×	×	Low	Green
Presumed risk of fraud in expenditure recognition (rebutted)	Rebutted the risks	↔	×	×	Low	Green
Implementation of new leases accounting standard (IFRS 16)	Other	↔	×	×	Low	Green

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

● Not likely to result in material adjustment or change to disclosures within the financial statements (green)
● Potential to result in material adjustment or significant change to disclosures within the financial statements (amber)
● Likely to result in material adjustment or significant change to disclosures within the financial statements (red)

Significant risks

Risk identified	Auditor commentary and procedures performed
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities. We 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.	Our work focussed on key estimates and judgements made by management. No entity-specific fraud risks were identified and communicated in our Audit Plan dated 9 June 2025 and none have subsequently been identified from the audit fieldwork procedures performed. In response to this risk, we have conducted testing on journal entries where there has been the potential to manually input adjustments to the general ledger, with a focus placed on closing journal entries in the final period and during the preparation of the financial statements as instructed by relevant auditing standards. We have also conducted a review of key accounting judgements and accounting estimates. No estimates or judgements have been identified as a fraud risk and due statutory accounting overrides prescribed by the Code, we have not identified any incentives for management to fraudulently misstate relevant transactions and balances. No indicators of management bias have been identified from our work on judgements and accounting estimates. **As part of our work, we have:** • evaluated the design effectiveness of management controls over journal entries • analysed the journals listing and determined the criteria to be applied in identifying high risk unusual journals • challenged management's key judgements and estimates and considered whether these judgements and estimates are individually or cumulatively indicative of management bias • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale including the existence of underlying incentives for any changes in accounting policies, estimates or significant unusual transactions • identified a population of journals to test using data analytics software to analyse journal entries and to split large batch journals into smaller sets of transactions to consider against specific risk criteria determined by the audit team, as detailed below • identified and tested journal entries that met the following criteria for appropriateness and corroboration: unusual material journals made across the year with the greatest focus placed on those posted late in the year and during the accounts production stage; journals posted late in the financial year that were crediting (reducing) non-pay expenditure; and those posted by senior management personnel **Key findings** Our audit work did not identify any issues in respect of management override of controls.

Significant risks

Risk identified	Auditor commentary and procedures performed
Closing valuation of land and buildings, including Council dwellings **Land and buildings:** The Council re-values its land and buildings on a rolling three-yearly basis which is fully compliant with the Code requirements. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £473m at 31 March 2025) and the sensitivity of this estimate to changes in key assumptions. 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. **Council dwellings:** The CIPFA Code requires that Council dwellings (some £835m at 31 March 2025) should be valued on the basis of existing use value as social housing and the Council has adopted a beacon methodology. 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. 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.	As part of our work, we have: • evaluated the design effectiveness of controls in place around the valuation process • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the Council's valuation expert and the scope of their work & the appropriateness of the basis of the valuation • evaluated the competence, capabilities and objectivity of management's valuation expert • evaluated the challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding & written to the valuer to confirm the basis on which the valuation was carried out • tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's Asset4000 fixed asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end • performed indexation on properties not revalued in the year to establish that there was no risk of material movement • engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of buildings and give a view on the adequacy and appropriateness of management's external valuer's report • agreed, on a sample basis, the internal floor areas (GIAs) to the Council's K2 property asset management software and AutoCAD building measurement software • for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations • for council dwellings, valued using the beacon methodology, obtained comparables from online sold property websites and assessed the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we assessed the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites. **Key findings** Our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the valuer. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £4.1m. This has not been adjusted by management on the basis that this is an extrapolation and not a factual error, and is not considered by management to be material to the financial statements. This unadjusted misstatement is set out in detail on page 49 of this report.

Significant risks

Risk identified	Auditor commentary and procedures performed
Closing valuation of investment properties The Code requires the Council to re-value its investment property portfolio annually. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £81.5m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of investment property in the Council's financial statements is not materially different from the fair value at the balance sheet date, where an alternative valuation reference date is used. We therefore identified the closing valuation of investment property, as a significant risk, which was one of the most significant assessed risks of material misstatement.	The carrying value of investment property has decreased by 10% in year to £81.5m. All of this decrease can be explained by fair value losses. Over 65% of investment property (by value) is land. The £9m decrease relates to some decrease in land values adopted in the current year's valuation, consistent with some small decreases observed from the national indices on land values and the Montagu Evans local government trends report that states it should be expected that valuers re-adjust land values downwards where they consider it appropriate. **As part of our work, we have:** • evaluated the design effectiveness of controls in place around the valuation process • evaluated the assumptions used by management's valuer, the instructions issued to the valuer and the scope of their work • evaluated the competence, capabilities and objectivity of management's valuation expert • evaluated and challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • written to the valuer to confirm the basis on which the valuation was carried out and concluded this to be appropriate • tested, on a sample basis, revaluations during the year to ensure they have been input correctly into the Council's Asset4000 fixed asset register • engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of investment property and give a view on the adequacy & appropriateness of management's external valuer's report • reviewed the classification of investment property assets for consistency with the Code and IPSAS 16 definition. Under the definition, an investment property is one that is used solely to earn rentals or for capital appreciation or both. This procedure is not expected to directly inform our work on the valuation of investment property (significant risk) but remains a key audit procedure nonetheless • for investment properties valued on a fair value (FV) basis, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations. Similarly for those land assets, we have obtained market data for both sold and currently marketed land to assess the appropriateness of the adopted values per acre. **Key findings** No material issues have arisen from our testing of investment property valuations, with the fair values adopted considered reasonable. We were also satisfied, to a material extent, with the classification of the population of land and buildings held as investment property. Investment properties are required to be revalued annually in accordance with the CIPFA Code. As at 31 March 2025, there were investment properties totalling £9.3m which have not been subject to annual revaluation, which is not compliant with Code requirements. Management asserts that investment properties below £250k are de minimis and trivial to the overall balance of investment property held by the Authority. The value of this sub-£250k population has risen in recent years towards our audit performance materiality threshold of £12.8m, and management may be required to reconsider and adjust the threshold for properties subject to an annual valuation to ensure the accounting practices adopted by the Council remain compliant with Code requirements. We have re-raised a management recommendation on page 59 of this report. We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.

Significant risks

Risk identified

Valuation of the defined benefit pension scheme net balance

(net pension asset capped at £nil and unfunded liabilities of £47m at 31 March 2025)

The Council's pension scheme net balance, as reflected in its balance sheet, represents a significant estimate in the financial statements due to the size of the numbers involved to arrive at that net balance (asset of £2.5bn and liability of £1.9bn in 2025) and the sensitivity of the estimate to changes in key assumptions.

At 31 March 2025, the Council reported a net pension surplus in its financial statements that was subsequently capped at £nil applying the principles of IFRIC 14. Gross assets were reduced by just over £0.6bn to reach the £nil balance sheet asset position. A £47m pension liability reflected the Council's obligations in respect of unfunded liabilities (teachers and LGPS), for which there are no pension assets.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in its calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the Council but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the net pension balance. In particular, the discount and inflation rates, and life expectancy.

2024-25 is the third year that the Council has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset to be a significant risk. A key aspect of our work planned is to consider whether this net surplus position remains supported by fund-level assumptions and market-based factors.

We have therefore concluded that there is a significant risk of material misstatement in the LGPS funded net pension balance estimate due to the assumptions used in the calculation and the application of IFRIC 14 and its impact on the valuation of the net pension surplus. Acknowledging the high degree of judgement and subjectivity associated with the defined benefit pension assumptions, we have identified the valuation of the Council's pension scheme net balance as a significant risk.

Auditor commentary and procedures performed

As part of our audit work, we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension scheme net surplus is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension scheme valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension scheme asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we performed any additional procedures required, as directed by their report
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.
- confirmed that pension scheme asset valuations were based on a 31 March 2025 valuation date.
- obtained and reviewed the IFRIC 14 calculation document directly from the Council's actuary, including considering whether the Council's future pension funding assumptions would give rise to no economic benefit that would support the capping the net pension asset at £nil on its balance sheet.

Significant risks

Auditor commentary and procedures performed (continued)

Additional commentary and work undertaken in respect of pension surplus position

LGPS Defined Benefit Pension Scheme balance sheet position:

UK economic and market conditions have continued to give rise to circumstances for a LGPS funded net pension scheme surplus to exist. The surplus position is consistent with the prior period, although the headline surplus has increased in magnitude to £0.6bn. IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan'.

The audited body presented a pension asset of £nil in its draft accounts, which fully eliminated the £144m asset presented on the balance sheet in the prior year accounts. Prior to any application of the asset ceiling, the gross LGPS funded asset had increased this year due to a year-on-year increase in the discount rate on high-quality corporate bonds (assumption stipulated by IAS 19 accounting standard) alongside a decrease in the inflation (pension increase) assumption. The gross LGPS funded pension asset rose from £0.25bn to £0.6bn.

During the preparation of the Council's draft accounts, management obtained an IFRIC 14 calculation from its actuarial expert that satisfies the requirements of the accounting standard. The asset ceiling calculation presented by the actuary capped the LGPS net pension surplus at £nil as per IFRIC 14 principles on the basis that the future cash contributions that the Council is required to make to the fund exceed the projected future service cost (the cost of providing the benefits accruing to members of the scheme). As such, no economic benefit is generated for the Council from the existence of the net pension surplus and hence why the net pension surplus has been capped at £nil.

The calculation assumed a minimum funding requirement exists in respect of Local Government Pension Scheme (LGPS) which means that annual contributions to the scheme will continue to be required irrespective of the value of any net pension surplus. The calculation has also assumed that the LGPS will remain open to new members on an infinite basis and as such an annuity in perpetuity basis has been used in the calculation. Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 20-year recovery period. Our work confirmed that the IFRIC 14 assumptions used were in keeping with the range of assumptions that were deemed appropriate by the CIPFA IFRIC 14 guidance and the commentary of PwC as the external auditor's expert.

An unfunded defined benefit liability of £47m continues to exist that should be recognised as a liability under IAS 19 in the accounts. This relates to termination benefits made on a discretionary basis upon early retirement in respect of some members of the pension scheme (teachers and LGPS). This amount should be recognised separately on the balance sheet irrespective of the pension scheme asset position. Management has continued to account for the unfunded pension liability within pension liabilities at Note 18. We consider this accounting to be appropriate.

Key findings

Following discussions with the Pension Fund, Management identified post draft accounts that the Pension Fund's assets had increased by 0.6% for year ended 31 March 2025. Management obtained an updated IAS 19 report that indicated an increase in the LGPS funded gross pension asset of £9.5m. Since the LGPS net pension surplus has been capped at £nil, this increase in asset values does not impact on the Council's balance sheet position. Management has reflected this change in the disclosures at Note 41 to the accounts by increasing the value of the gross pension asset disclosed by £9.5m with a corresponding increase to the value of the unrecognised asset.

Risks rebutted

Risk identified	Auditor commentary and procedures performed
Presumed risk of fraud in revenue recognition - revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition. We reported in our Audit Plan dated 9 June 2025 that 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: • 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.	No changes to our assessment reported in the audit plan subsequently identified. Although we have rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions, which include the following: **Accounting policies:** • Evaluated the Council's accounting policies for recognition of income for its material income streams and compliance of recognition principles with the CIPFA Code. **Grant Income** • For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including appropriate classification of specific grant income credited to services and non-specific grant income credited to non-specific grant income and taxation. Regard to principal/agent accounting considerations has also been given as part of our detailed testing. • For income raised from council tax and non-domestic rates, which are of a predictable nature, we performed substantive analytical procedures based on the no. & value of rateable properties, applying any annual increases to rates as appropriate. **Fees, Charges and Other income** • Disaggregated the non-grant income transaction stream, identifying significant income sub-streams. Housing rents (HRA) income was tested using a substantive analytical procedure recognising the recurrent and predictable nature of the income generated annually from the rental of the Council's housing stock. • Tested, on a sample basis, fees and charges transactions to supporting documentation and cash receipts to evidence the occurrence of these transactions. • Designed and carried out appropriate audit procedures to ascertain that recognition of income is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2025. **Key findings** Our work has not identified any issues that would change our assessment of the risk of fraud in revenue recognition. We have gained assurance that Council revenues are materially stated. One immaterial error has been identified, and this has led to an overstatement of grant income credited to services totalling £1.075m with a corresponding overstatement of expenditure. There is no impact on useable reserves. This has not been adjusted on the grounds of materiality. Further detail is set out on page 47.

Risks rebutted

Risk identified	Auditor commentary and procedures performed
Presumed risk of fraud in expenditure recognition – expenditure cycle includes fraudulent transactions (rebutted) Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. As per PN10, fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). We considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams. We rebutted this risk for the Council because: • 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 makes direct payments for social care expenditure, which are regular and paid on a timely basis, which suppresses the opportunity to meaningfully exclude expenditure transactions from being reported in the general ledger. • the Council has presented general fund reserves balances (excluding £12m of statutory reserves) at outturn of £61m, which represents 16.5% of the £368m financial outturn. 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 financial pressures at the Council.	No changes to our assessment reported in the audit plan subsequently identified. Although we rebutted the risk, we have undertaken standard audit procedures consistent with ISA (UK) for material streams of transactions: **Accounting policies:** • Evaluated the Council's accounting policies for recognition of expenditure for its material expenditure streams and compliance of recognition principles with the CIPFA Code. • Updated our understanding of the Council's business processes associated with accruing for relevant expenditure at the end of the accounting period. **Expenditure** • Agreed, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded. • Obtained an understanding of the SAP Goods Receipt Invoice Receipt (goods received not invoiced) and creditors closedown processes implemented to ensure that expenditure is accounted in the period to which it relates. • Undertook a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year were supported by underlying data including enacted pay awards and movements in workforce numbers. • Designed and carried out appropriate audit procedures to ascertain that expenditure is recorded in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2025. • Disaggregated non-pay expenditure, identifying significant and recurrent sub-streams of expenditure. Examples include housing benefit payments, PFI unitary charges and the public health contract. With regards these expenditure sub-streams, we established the expenditure recognition principles and performed substantive procedures to test the occurrence and accuracy of the expenditure recognised. • Reviewed the nature of expenditure charged to the HRA to ensure compliance with ringfencing requirements. • Inspected a sample of accruals made at year end for expenditure incurred which had not yet been invoiced to assess whether the value of the accrual was consistent with the value invoiced after the year end. **Key findings** Our work has not identified any issues that would change our assessment of the risk of fraud in expenditure recognition. We have gained assurance that Council expenditure is fairly stated and there are no matters to report in respect of the Council's expenditure recognition.

Other risks

Risk identified

Implementation of new leases accounting standard (IFRS 16)

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.

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.

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.

The principles of IFRS 16 also apply to the accounting for PFI liabilities, which are subject to annual indexation using 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 is expected to result in an overall increase in the value of the PFI liability on the balance sheet.

Auditor commentary and procedures performed

As part of our audit work, we have:

- Challenged the completeness of the contracts identified by the Council as containing a lease including housing properties where the Council has a contract to occupy, and employee car lease schemes, to assess the completeness of arrangements identified as being within the scope of the IFRS 16 leases accounting standard.
- Agreed disclosures presented in the financial statements to underlying accounting records and calculations.
- Reviewed management's lease accounting calculations, and assessed the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals. We concluded that the assumptions used were appropriate and reasonable.
- Considered management's accounting for leases with little to no consideration payable annually, termed peppercorn leases. Such leases convey a right to use land and buildings, however, management has not identified the Council's three peppercorn leases as in scope since the value in existing use of these land and buildings is immaterial in aggregate. We, as auditors, are materially satisfied with this judgement.
- Assessed how leases with options to extend or terminate have been identified and the likelihood of these options to be exercised and assessed the Council's treatment of those leases where the Council continues to utilise the identified asset without a formal agreement being in place (holding over).
- Engaged internal PFI financial modelling specialists to review the revised PFI models which capture the cumulative indexation since each scheme's date of commencement. Some of these PFI schemes contain fixed elements not subject to indexation and we checked that these elements were appropriately adjusted for in management's calculations.
- Reviewed the appropriateness of the cost model adopted by the Council on subsequent recognition of the right of use assets that were brought onto the Council's balance sheet on initial recognition.

Key findings

The adoption of this standard has impacted on the Council's three PFI schemes, increasing the balance sheet liability by £19m. The lease terms and implicit interest rates were clearly stated in the PFI models, minimising management estimation on remeasurement of the liability at the time of adoption (1 April 2024). The increases in PFI liabilities on the Council Balance Sheet following implementation of the new standard will be written down over the remaining term of each contract, split between a charge to the CIES as interest and the repayment of the lease creditor.

We concluded that the Council's remeasurement of leases liabilities on initial recognition under IFRS16 requirements were fairly stated, aside from a presentational matter set out on page 44 of this report arising on transitional accounting for PFI schemes. We note this adjustment impacts only on the face of the CIES and MiRS with no impact on useable or unusable reserves. Overall, this represents a good outcome for the Council in adopting what is a new and complex accounting standard.

Our work also concluded that the Council had conducted an appropriate exercise to identify relevant contracts that contained a lease within the scope of IFRS 16. We did not identify any instances of a lack of completeness regarding right of use assets and corresponding lease liabilities, either at 1 April 2024 or at the year end.

4 Other findings

Other findings – key judgements and estimates

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

Key estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of other land and buildings £473m at 31 March 2025	Other land and buildings comprise £371m of specialised assets such as schools, leisure centres, and libraries, which are required to be valued at depreciated replacement cost (DRC), reflecting the cost of a modern equivalent asset necessary to deliver the same service provision as existing buildings. The remainder of other land and buildings (£94m) are not specialised in nature and are to be valued based on their value in existing use (EUV) either using the capitalisation of income or with reference to the valuation of similar land & buildings on the open market. EUV assets include offices and public car parks. There is an additional £7.7m of land & buildings held at historic cost which is not Code compliant albeit it does not represent a material issue. The Council has engaged Align Property Partners to complete the valuation of land and buildings as at 31 January 2025 on a three yearly cyclical basis. In the draft accounts around 54% of total other land & buildings (by value) were revalued during 2024-25 as disclosed in the revaluations table in the draft accounts. This is Align Property Partners first year as valuers to Kirklees Council but as a local authority-controlled firm of valuers, this firm has significant experience of local authority valuations employing a team of RICS registered valuers. The capital accounting function worked with the Council's internal property surveyors to ensure the assets included in the population of assets to be valued offered appropriate coverage across the sub-types of buildings held, and the Council communicated significant changes to existing land & buildings, such as major refurbishments and repurposing with its external valuers. Management's approach included instructing their external valuer to value all assets with a carrying value greater than £5m on an annual basis to ensure that good coverage (based on £ values) would be achieved. Management has also considered the year end carrying value of land and buildings not valued in year to determine whether there has been a material change in the value of these assets. This assessment of assets not revalued in year did not identify a material change to those assets' current value compared with their carrying value as at 31 March 2025. Management's assessment was also performed for assets valued in year, with a valuation reference date of 31 January 2025, to determine whether any material movements were identifiable for the two months up to the year end of 31 March 2025. No material changes in current value were indicated from the Council's assessment and the carrying values of these assets were therefore not adjusted.	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate • reviewed the assumptions used by the expert in the calculations, including the accuracy of gross internal areas (floor areas) • considered the valuation methods used to revalue assets, and ensured that the method is suitable for the type of land or building in question • in relation to assets not revalued in the year, and those valued as at the end of January 2025 we have reviewed relevant cost- and market-based indices (e.g. BCIS & MSCI) to assess the appropriateness of management's assessment that the assets' carrying value is not materially different from their current value at the year end. This included considering changes in local market rents and yields for EUV assets (obtaining Huddersfield- and West Yorkshire-based data where available) **Key findings** Our valuation testing of floor areas to property records & AutoCAD drawings identified errors in the source data provided to the valuer. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £4.1m. This has not been adjusted by management on the basis that this is an extrapolation and not a factual error and is not considered by management to be material to the financial statements. This unadjusted misstatement is set out in detail on page 49 of this report.	● **Amber** We consider the estimate is unlikely to be materially misstated however management's estimation process contains source data with proven inaccuracies (noting projected unadjusted misstatement of £4.1m)

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of council dwellings £835m at 31 March 2025	The Council owns 21,611 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of a single property is then applied to similar properties within the immediate locality of the property valued (the beacon). The Council has engaged Align Property Partners to complete the valuation of these properties with a valuation reference date of 31 March 2025. 2024-25 is Align Property Partner's first year as valuers to Kirklees Council but as a local authority-controlled firm of valuers, this firm has significant experience of local authority valuations employing a team of RICS registered valuers. The new firm of valuers has continued to adopt a four-year rolling cycle of inspections, physically inspecting around 30% of beacons across the owned dwellings (HRA1) and PFI flats – Pinnacle (HRA2) portfolios in year. The remainder of the dwellings portfolio has been subject to a valuation on a desktop basis, and the valuer has reported that based on the value increases observed on the beacons subject to a full valuation in 2024-25, they have opted to apply an increase of 0.68% to HRA1 dwellings (owned) and apply no adjustment to HRA2 dwellings (PFI flats). The valuer has also confirmed that they have used the Land Registry house price index for Kirklees to assess the appropriateness of the uplift applied on a desktop basis and was satisfied that the 0.68% was reasonable and appropriate. The year end valuation of Council Housing was £835m, a net increase of £10m from 2023-24 (£825m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate • confirmed the application of the 41% social housing discount factor. This is in line with the DCLG Stock Valuation Guidance 2016 • discussed the selection of the beacon properties with management's valuer to understand and assess how this is representative of the remaining properties in each archetype • independently obtained, on a sample basis, comparable properties from web sources that list sold properties (Zoopla, Rightmove) and assessed the appropriateness of the beacon valuation adopted by management's expert • reviewed the valuation for a sample of non-beacon properties with reference to the beacon valuation, and considered the appropriateness of adjustments made to triangulate a valuation for the variant. Where adjustments have been made for additional bedrooms, we have sought market data for sold properties (Zoopla, Rightmove) to appraise the valuation adopted for the variant • reviewed market data and house price indices to corroborate the 0.68% uplift adjustment applied on a desktop basis to those dwellings not physically inspected and subject to a full valuation in year and concluded that this appeared to be reasonable based on the indices we reviewed.	● **Green** We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of defined benefit net pension balance **(net pension asset capped at £nil and unfunded liabilities of £47m at 31 March 2025)** IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's Local Government Pension Scheme net pension surplus at 31 March 2025 is £nil (PY £144m surplus) comprising the West Yorkshire Pension Fund Local Government Pension Scheme obligations. There is a £47m defined benefit pension liability relating to LGPS unfunded and Teachers pension obligations (2024: £54m). The Council continues to engage Aon to provide actuarial valuations of the assets and liabilities derived from this scheme. A full actuarial valuation is required every three years which was undertaken as at 31 March 2022 for LGPS. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Small changes in assumptions can result in significant valuation movements. There has been a £399m net actuarial gain for the Council's pension obligations during 2024-25. This improved position is largely a result of an increase in the discount rate with a decrease in the CPI inflation assumption.	We have: • Assessed the competence, capability and objectivity of management's expert Aon • Assessed the actuary's approach taken and deemed it reasonable • Used PwC as an auditor's expert to assess the actuary and the assumptions applied – please see the table below. The PwC report has also indicated that they are comfortable with Aon's methodologies used to establish assumptions and they will produce reasonable assumptions as at 31 March 2025 for all employers • Confirmed the completeness and accuracy of the underlying information used to determine the estimate including performing additional tests in relation to the accuracy of contribution figures, benefits paid, and investment returns to gain assurance over the roll forward calculation • Corroborated the increase in the net pension surplus (£399m actuarial gain) to PwC's commentary • Confirmed the adequacy of the disclosures in the financial statements and the consistency of the pension scheme disclosures in the notes to the financial statements with the IAS19 report from the actuary	● **Green** We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value (Aon)	PwC comments	Assessment
Discount rate	5.80%	Assumption appears reasonable.	● Green
Pension increase rate	2.50%	Assumption appears reasonable.	● Green
Salary growth	3.75%	Assumption appears reasonable.	● Green
Life expectancy – Males currently aged 45 / 65	21.8/20.9	Assumption appears reasonable.	● Green
Life expectancy – Females currently aged 45 / 65	24.8/24.1	Assumption appears reasonable.	● Green

Key findings

Our work has not identified any evidence to conclude that key assumptions are not appropriate, in line with the table shown above. Detailed audit procedures and challenge of management with regards the IFRIC 14 pension asset ceiling calculation indicated a negative asset ceiling, to be capped at £nil as per IFRIC 14 principles, which is in line with the recognition and presentation in the draft accounts. Overall, we are satisfied with the judgements made by management and its recognition of the net pension asset along with the supporting disclosures made in the financial statements. One pension disclosure adjustment was identified by the audited body post draft accounts as set out on page 51.

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of investment property £81.5m at 31 March 2025	The Council has engaged to Align Property Partners to complete the valuation of investment properties as at 31 December on an annual basis, as required by the CIPFA Code. A total of 87% of investment properties (by value) were revalued during 2024-25. Investment properties (including land assets) have been valued by a RICS-registered valuer as per Code requirements on the basis of their highest and best use, with reference to market comparables and capitalisation of market-based rents using an appropriate yield, in line with accepted fair value valuation practices. Management has opted not to value those investment properties below £250k on the basis that these are de minimis and trivial to the overall balance of investment property held by the Authority. The total year end valuation of investment property was £81.5m, a net decrease of £9m from 2023-24 (£91.7m).	We have: • assessed the competence and expertise of management's expert (external RICS-registered valuers), concluding that they are competent, capable and objective • reviewed the completeness and accuracy of the underlying information used to determine the valuation estimate, including land site areas per land registry records, and lease terms and passing rents per leases agreements • agreed, on a sample basis, land areas to title deeds and internal floor areas to AutoCAD floor plans, as appropriate • independently obtained market comparables for the Kirklees and West Yorkshire locality to assess the appropriateness of market rents and yields used in the valuation calculations. **Auditor's Findings** Carrying investment properties at cost in the Council's accounts is considered non-compliant with the requirements of the Code. There are £9.3m of such investment property assets at 31 March 2025 that have not been valued. These sub-£250k investment property assets are subject to a valuation of the basis of a 3-year rolling programme. The value of this sub-£250k population has risen in recent years towards our audit performance materiality threshold of £12.8m, and management may be required to reconsider and adjust the threshold for properties subject to an annual valuation to ensure the accounting practices adopted by the Council remain compliant with Code requirements. This has been re-raised in several of our reports and the balance of investment properties held at cost has continued to increase over recent years. We have re-raised a management recommendation on page 59 of this report. We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.	● **Amber** We consider the estimate is unlikely to be materially misstated but have commented on page 18 in relation to £9.3m of investment property that has not been revalued annually, contrary to the requirements of the CIPFA Code

Other findings – key judgements and estimates

Key judgement/estimate	Summary of management's approach	Auditor commentary	Assessment
Recognition and presentation of grant income (note 37) **£718m in 2024-25** The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal / agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	Management has taken into account three main considerations in accounting for grants, as set out in sections 2.3 and 2.6 of the Code: 1. whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Where the Council has determined that it is acting as an agent and it does not recognise grant income. Conversely, where the Council is acting as the principal and it has credited the grants and contributions to the CIES. Management's assessment considers relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. 2. whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income 3. whether the grant is a specific or non-specific grant. General un-ringfenced and capital grants are credited to taxation and non-specific grant income and disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be judgements over the accounting treatment. Different conclusions may be reached by councils depending on how they have applied any discretion in administering the schemes and the application of Code guidance.	The Council receives a number of grants and contributions and is required to follow the requirements set out in the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income. As part of our audit work, we have performed the following: • substantively tested a sample of grants across categories and reviewed management's assessment as to whether the Council is acting as the principal or agent • for the samples selected, we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • assessed, for a sample of grants recognised, whether the grant a is specific or non-specific (or whether it is a capital grant) – impacts on where the grant is presented (specific grants recognised above the line in net cost of services in the CIES and non-specific grants recognised below the line in taxation and non-specific grant income) • assessed the adequacy of disclosure of grants received and judgement used by management as part of our detailed testing. Our work identified one non-trivial misstatement whereby the Council has overstated grant income recognised in 2024-25 by £1.075m. This is set out on page 47 of this report and management has opted not to adjust given its immaterial nature.	● **Green** (noting immaterial unadjusted misstatement – see page 47)

Other findings – key judgements and estimates

Key estimate	Summary of management's approach	Auditor commentary	Assessment
Minimum revenue provision **£13.8m in 2024-25** There continues to be an increased level of scrutiny from auditors following several cases of highly publicised financial challenges at certain local authorities with some resulting in S114 notices. Many of these high-profile cases involve MRP charges that on reflection were deemed to be inappropriate.	The Authority is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The Council publishes an MRP policy annually as part of its annual budget setting process, which is reviewed for compliance against statutory guidance and approved if concluded to be appropriate. The annual MRP charge for 2024-25 was £13.8m, which represents an increase of £8.5m from 2023-24. This represents a 1.5% charge against the general fund capital financing requirement (CFR) (2024: 0.6%). Excluding the HRA CFR, on which the statutory charge against general fund is not applicable, the 2024-25 charge of £10m represents 1.4% of the opening GF CFR (2024: 0.41%). The key reason for the significant increase in 2024-25 is due to offsetting a prior year 'overprovision' against the charge in the current year. In the prior year £9m of overprovision was offset and in the current year this reduced to £4m, which explains £5m of the year-on-year increase in the MRP charge. This overprovision has now been fully utilised so this will not impact on future accounting periods. A one-off amount £1.1m has been charged to general fund to write off the loan to KSDL which will not be recovered following enactment of the settlement agreement. This loan balance has now been fully charged to revenue. IFRS 16 leases form part of the capital financing requirement. The Council has accounted for the impact of IFRS 16 in calculating its MRP charge for 2024-25 and made a charge equal to the repayment of the lease creditor post IFRS 16 remeasurement. This is consistent with the approach in the statutory guidance for charging MRP on leases.	• The Council's MRP policy and calculation is compliant with all relevant requirements of MHCLG, the statutory guidance, the Capital Financing Regulations 2008 and the Prudential Code. • The Council made a change to the calculation of its MRP charge in 2023-24. An explanatory note explaining the change was presented to Corporate Governance and Audit Committee at its meeting in April 2025. • The Council's minimum revenue provision policy was presented to Full Council in February 2024 as part of the annual budget setting process. • We compared the MRP charge as a percentage of the CFR. Typically, we would expect the charge to be around 2% representing an asset life of 50 years. The 2024-25 charge equated to 1.5% of the opening CFR (or a 67-year asset life) (2024: 0.6%). • We understand a key reason for the debit to General Fund being lower than expected is the annuity methodology applied, which creates an increased charge over time with the highest annual debits to general fund occurring in the final years. Assuming no additional capital expenditure, the charge is set to peak in 32 years at £34m. The annuity method it is a permitted option albeit it does create potentially greater budget pressures in future years. • The 'amber' assessment has been brought forward from the prior year. This is based on the Council using a relatively high discount rate which has the effect of increasing the degree to which charges increase over time with the lowest in the early years. In addition, the Council has opted to use a single weighted average asset life of 34 years up to 2023-24 which means that all unfinanced capital expenditure up to 2022-23 will be fully provided for within 34 years but it does also push charges on medium life assets (around 20 years) over a longer 34 year term. • The approach to providing MRP on PFI schemes and leases falls towards the middle of our expected range ('green') since the Council makes a charge exactly equal to the repayment of the lease creditor, which the guidance deems to be exactly in line with the asset life (and pattern of economic benefits).	● **Amber** We consider management's process contains assumptions that we consider to be optimistic. It is our view as auditors that the Council's application of CIPFA Code and statutory guidance could be considered towards the aggressive end of the range of accepted practice.

Other findings – key judgements and estimates

Key judgement	Summary of management's approach	Auditor commentary	Assessment
Long term debtors £38m in 2024-25 (stated net of impairment allowance of £9m) This is being highlighted as a key estimate since local authorities are increasingly making loans to the private sector and non-profit organisations, often to support regeneration projects. There are often key judgements in assessing the recoverability of such loans and local authorities determining an appropriate impairment allowance. Such loans also impact an authority's capital financing requirement (CFR) and require a minimum revenue provision charge against general fund reserves.	The Authority has accounted for these long-term debtors at amortised cost on the basis that it deems repayments to represent solely payments of principal and interest to the Council (there is no scope for fair value movements either favourable or adverse). The second element of the classification determination is that the Council's rationale for holding these loans is to collect contractual cashflows (they are not held for trading). The Authority has determined that an impairment provision is required, and it has calculated £9m to be appropriate which is based on historic repayment data, adjusted for current macroeconomic factors and recent credit information available on the borrowers. The Authority has calculated the impairment for expected credit losses on a 12-month basis in the majority of cases aside from two loans with a total gross carrying value of £4.7m where credit losses were calculated on a lifetime basis. Within long-term debtors, there are two loans which the Council has identified as soft loans, which carry an interest rate below that of a commercial loan. There include the loan to Kirklees College (£13.8m) and renewable energy grants to households in the borough (£1.8m). The Council has accounted for these soft loans in line with Code requirements. The Council has security over a number of these loans by means of a fixed charge which according to management offers the Council security of £19m.	• We challenged as to whether the loan portfolio contains previously unidentified soft loans or loans that are 'non-recourse' that would require classification and measurement at fair value. Management responded robustly and we are satisfied with the Council's judgements around recognition, classification and measurement, including accounting for these long term debtors at amortised cost. • It is our view, having considered the legal charges held by the Council on third-party assets, that Management has recognised a reasonable and appropriate impairment allowance based on the information known at the reporting date. • From the balance of £38m, loans totalling £35m are classified as capital loans per the 2003 regulations, in that if this expenditure had been incurred directly by the Council, it would have been capital expenditure. For the £35m of capital loans, when a provision for expected credit losses is made, it is reversed through the MiRS to unusable reserves and therefore no charge being made to general fund. • The 2019 statutory guidance requires an MRP charge to be made on capital loans over the useful life of the third-party assets, which have been funded using the loan. Our review indicated that such charges have not been made. This guidance has now been superseded and our commentary below sets out the revised guidance applicable to future accounting periods which we would recommend the Council considers to ensure that appropriate minimum revenue provision is made on a prospective basis. • New statutory guidance which takes full effect from April 2025, introduces new provisions for charging MRP on capital loans, specifically for loans issue after 7 May 2024. This guidance states that where an impairment of the loan is recognised in any financial year, a local authority must charge MRP which is at least equal to the impairment recognised. There is no requirement to make a day one MRP charge to match the historic cumulative impairment recognised, however, the revised statutory guidance states that LAs must be satisfied that the charging of minimum revenue provision is sufficiently prudent. For loans issued prior to 7 May 2024, there still exists a requirement to make MRP with respect to any capital loan for which an Expected Credit Loss or impairment has been recognised, though the MRP charge may be spread over more than one financial year. • The revised guidance will enable LAs to reduce the MRP charge by deducting any amount of the capital receipts which are received in respect of a loan during the financial year, when they are applied to repay the same loan. For example, for the Kirklees College soft loan, the Council may choose to treat the £0.9m of repayments from the counterparty in year being as sufficient to cover the financing of the loan and abstain from charging MRP. • The Council has £20m of capital loans against which a £4m impairment provision has been accounted for in unusable reserves. To date, no MRP has been charged against these loans. As such, as and when any impairment losses are realised this will give rise to an unplanned impact on general fund reserves balances. Recognising the new statutory guidance coming into Force from 1 April 2025, we have raised a recommendation for Management to confirm and report its proposed approach to charging MRP on capital loans in 25-26 and beyond.	● **Amber** We consider management's approach indicates aspects of non-compliance which we consider should be amended in future accounting periods although we note these could not give rise to a material misstatement.

Other findings – Information Technology

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

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

We identified five findings from our work in respect of SAP which are detailed overleaf. We understand from our discussions with management that it is management's view that there are proportionate and adequate controls in place, and compensatory controls/second lines of defence are embedded in the Council's workflows and processes. Nonetheless we have opted to report these findings since the SAP accounting system underpins the preparation of the financial statements and IT findings form part of the matters arising from our audit work routinely communicated with those charged with governance.

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
SAP	Detailed ITGC assessment (design effectiveness only)	Green	Green	Green	Green
Active Directory	Detailed ITGC assessment (design effectiveness only)	Green	Green	Not in scope	Not in scope

Assessment:

- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Grey] Not in scope for assessment

Other findings – Information Technology - SAP

	Assessment	Issue and risk	IT Audit Finding
1.	● Green (low priority)	**Segregation of duties conflict as users have access rights to configure and delete audit logs in production** During our review of user access in the Council's main SAP system (the live production environment), we found 11 users who have two types of powerful permissions: • The ability to set up or change the system's audit logs (through a function called SM19), and • The ability to delete or reorganise those audit logs (through a function called SM18). Audit logs are important because they record who did what in the system. If someone can both change how these logs are created and delete them, there is a risk that important evidence of system activity could be altered or removed. Although audit logging is currently enabled and reviewed periodically, this control alone does not completely prevent or detect potential misuse by users with both types of access. **Risks** If audit logs can be changed or deleted by the same person who manages them, the Council might not notice unauthorised or unusual system activity in time. This could make it harder to investigate errors or security incidents.	To address this finding, it is our recommendation that the Council: • Removes the ability to set up audit logs and the ability to delete or reorganise them are given to different users; or • If it is not possible to fully separate these permissions (for example, for operational reasons), access should only be given temporarily and with formal approval, such as through a "Firefighter" or emergency access account that expires automatically. **Management response** *There is a limitation in SAP that prevents the Basis and HD One teams carrying out their duties if this segregation in is place.* *The Council has previously put in place has reasonable and proportionate controls to manage this risk which involves logging and regular monitoring by HD One Managers and evidence of this has been provided.*

Assessment:

● [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope

● [Grey] Not in scope for assessment

Other findings – Information Technology - SAP

	Assessment	Issue and risk	IT Audit Finding
2.	● Green (low priority)	**Users with inappropriate access to maintain all SAP Standard or Customised tables in production** As part of our review of system access, we identified 25 users who have the ability to change any table within the Council's SAP system (the live production environment). These tables store the data and rules that determine how the system operates, for example, how transactions are processed, how reports are generated, and how users are authorised. Having unrestricted access to change these tables means a user could (intentionally or accidentally) alter how the system functions. We checked whether any of these users made such changes during the audit period and found no evidence of changes made by them. **Risks** When users can change all tables in the live system, there is a risk that key data or system settings could be modified without approval, whether by mistake or on purpose. This could lead to errors in financial information or weaken system controls that protect against fraud or unauthorised activity.	To address this finding, it is our recommendation that the Council: • limit and separate this level of access so that no user can change every table in the system. Instead, users should only have access to specific tables that are relevant to their job responsibilities. This can be done by assigning access to named tables or groups of tables (rather than giving full access to all tables). **Management response** *There are reasonable proportionate controls in place to manage this risk which is the logging of all SAP access as standard. These logs are available for review at any time by managers and the Council's internal audit if required.*

Assessment:

- ● [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● [Grey] Not in scope for assessment

Other findings – Information Technology - SAP

	Assessment	Issue and risk	IT Audit Finding
3.	● Green (low priority)	**Segregation of duty conflicts between change developer in production** During our review, we looked at who can develop or build changes in the SAP system (in the "development" area) and who can move those changes into the live system where day-to-day operations take place. We found two users who had permission to do both. This means they could create a change and then move it directly into the live production system without anyone else checking or approving it first. We checked system records and confirmed that these users did not move any changes into production during the audit period. **Risks** Allowing one person to both develop and move changes into the live system can bypass normal checks and approvals. This increases the risk that unauthorised or incorrect changes could be made, which might affect how the system processes data or reports financial information.	To address this finding, it is our recommendation that the Council: • segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development. • if for operational reasons access cannot be fully segregated, alternative options to mitigate the risk could include performing a review of change implementation activity logs. These should be regularly reviewed for appropriateness by an independent individual with evidence retained. **Management response** *As mentioned in previous years, we have reasonable and proportionate controls in place to manage this risk with a process to separate development and production roles. While it is noted that the individuals have 2 accounts (one for production and one for development), our process ensures that no individual carries out both roles for the same process.*

Assessment:

- ● [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● [Grey] Not in scope for assessment

Other findings – Information Technology - SAP

	Assessment	Issue and risk	IT Audit Finding
4.	Green (low priority)	**Inadequate control over privileged generic accounts within SAP** During our review of powerful ("administrator") accounts in the Council's SAP system and its database, we found: • Two shared accounts were being used by the Council's external IT support provider, ABSOFT, to perform system work. • Three shared accounts had powerful access to the SAP database. Of these, one was used by ABSOFT, and two were used temporarily for system security testing. The testing accounts were disabled during the audit period. While the Council has a process to approve third-party access, we found no evidence that activities carried out through these shared accounts were being actively monitored or reviewed to ensure they were only used for legitimate, approved purposes. This same issue was raised in last year's audit. Management have noted that ABSOFT is a trusted vendor and believe the current controls are sufficient. **Risks** Shared or "generic" accounts are system logins used by more than one person. When these accounts have powerful access, there is a risk that unauthorised or inappropriate changes could be made to the system or data. Because several people can use the same account, it is impossible to trace actions back to a specific individual, making accountability and investigation difficult if something goes wrong.	To address this finding, it is our recommendation that the Council: • ensure all users, including third-party vendors, have individual named accounts rather than shared ones wherever possible. • review all existing shared or powerful accounts to confirm whether they are still needed, who uses them, and what controls exist to prevent misuse. • where shared accounts must remain (for example, for vendor support), access should be time-limited, tightly controlled, and actively monitored, using tools such as password vaults and audit logs to record activity. • periodically review all system access to ensure permissions remain appropriate and that users only have the level of access needed for their role. **Management response** ***As confirmed in previous years, there are reasonable controls in place to manage risks associated with this item which are:*** • ***All activity by these accounts is recorded in SM20 and available for auditing and review if required.*** • ***The accounts are locked when not in use and access only granted by arrangement with the BASIS team.*** • ***Access includes registration of the named consultant that will connect to the system and confirmation of that at the time the connection is authenticated by our staff member managing the support request.***

Assessment:

- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Grey] Not in scope for assessment

Other findings – Information Technology - SAP

	Assessment	Issue and risk	IT Audit Finding
5.	Green (low priority)	**Inadequate control over privileged generic accounts within the Active Directory** During our review of accounts with high-level ("administrator") access in the Council's main IT network, known as Active Directory - we found one shared administrator account called SureCloudDA. This account was created for a specific purpose: to allow an external security company to carry out penetration testing (a type of authorised security test). It was properly requested and approved, and system records show that the account was last used on 5 October 2024. However, after the testing was completed, the account remained active in the system until our audit identified it. It had not been given an automatic end date or deactivated once it was no longer needed. There was also no regular monitoring in place to confirm that such accounts are removed promptly. This means that, even though it was not misused, the account could have been accessed without the Council's knowledge while it remained active. **Risks** Shared or unused administrator accounts are a security risk. If such an account stays active after its purpose has ended, someone could use it to make unauthorised changes to the system or gain access to sensitive information. Because the account is shared, it would be difficult to trace who was responsible if something went wrong.	To address this finding, it is our recommendation that the Council: • Ensure all privileged accounts (those with administrator rights) are given a clear expiry or end date when created. • Review all shared or special-purpose accounts regularly to confirm they are still needed and deactivate them immediately once no longer required. • Where possible, each user should have an individual account so that activity can be traced to a specific person. • If shared accounts must exist for technical reasons, their use should be strictly controlled, logged, and reviewed after each use, with all monitoring formally recorded. **Management response** *This account was created specifically for the comprehensive password audit carried out on 1 day of the pen test; the account was disabled immediately on completion and any access to the servers was removed.* *Access was only available from a single jump box on the network which only pen test engineers had access to; full auditing was available through the server event logs and on Security Information and Event Management (SIEM). The jump box was deleted on completion of the pen testing activities and the SureCloudDA account disabled immediately on completion of the activity. It has now been deleted as well.* *Naming convention of the account has been reviewed and a named account will be used in future for this purpose.*

Assessment:

- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Grey] Not in scope for assessment

Other findings – Information Technology

Issue	Commentary	
Cybersecurity We also performed a review of the Council's arrangements to establish controls in respect of cyber security. This procedure entailed making enquires of Council officers and making an overall assessment of the Council's procedures and controls in relation to cyber security.	Based on national statistics released by the Department for Science, Innovation and Technology in April 2025, 43% of businesses report having experienced a cyber breach or attack in the last 12 months. High profile cyberattacks undermine trust in an organisation and can shatter hard won reputations. Organisations are also required under GDPR regulation to have appropriate safeguards over personal data they hold and can face large fines if an avoidable breach occurs. The majority of cyberattacks reported are unsophisticated and could be avoided through implementation of simple cybersecurity measures.	Auditor view Whilst it is not within the scope of our work to give a high level of absolute assurance in respect of the cyber security control environment, our work identified that the Council generally adopts an appropriate approach to protecting itself from cyber threats and has a dedicated team of council officers in post to support this. Based on the review we performed, we are sufficiently satisfied that the Council's cyber security arrangements do not give rise to material or pervasive deficiencies in its overall control environment.

Work performed	Result	Related significant risks / risk / observations
Cybersecurity assessment	● Green	N/A

5 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Governance & Audit Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties which have not been appropriately disclosed. Our work identified some transactions that had occurred between the Council and its PFI operators that were not disclosed. Management has updated related party disclosures to capture these. This is shown as an audit adjustment on page 51 of this report.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which will be presented to management and those charged with governance prior to giving the audit opinion. We expect to include a request for specific representations in terms of information provided by the Council in in respect of equal pay claims. This recognises the increase in equal pay claims arising nationally and we are therefore obligated to obtain specific representations in this regard.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. A number of minor amendments were made to the accounting policies to enhance the transparency of the disclosures within the Accounts.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banks and counterparties that hold the Council's deposits. This permission was granted and the requests were sent. These requests were returned with positive confirmation and no issues were noted.
Disclosures	Our review found no material omissions in the financial statements. A number of presentational disclosure changes are listed on pages 51 through to 53 of this report.
Audit evidence and explanations/	All information and explanations requested from management. We note the need to enhance supporting working papers in respect of the cashflow statement and some aspects of valuation of land and buildings, following issues during the last two audit periods. We would like to thank the Council officers for their help and support during the audit process.

Other responsibilities

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified/or set out here any inconsistencies. We plan to issue an unmodified 'clean' opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have reported three significant weaknesses in arrangements that are detailed on pages 67 and 68 of this report.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The specified group reporting threshold is £2 billion. As in prior years, only limited work is expected to be required on this, as the Council is not expected to exceed the audit threshold in 2024-25.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2024-25 audit of Kirklees Council in the audit report in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the Whole of Government Accounts audit has been certified by the Comptroller and Auditor General and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code. In addition, we cannot issue our audit certificate for 2024-25 or 2023-24 until we have concluded our work on the Objections raised in 2023-24 regarding the Council's oversight of the investment strategy of the Pension Fund. We are aiming to conclude our work on the Objections in 2026.

6 Audit adjustments

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

Audit adjustments

Impact of adjusted misstatements

One adjusted misstatement has been identified and is set out in detail below, along with its impact on the primary accounting statements.

Detail

Accounting for PFI assets on initial adoption of the new IFRS 16 leases standard - revaluation losses identified on initial transition to IFRS 16 leases accounting standard (new standard implemented in 2024-25)

On initial recognition, the Council has uplifted (credited) lease liabilities so as to reflect the impact of indexation within the liability rather than expensing these annually as contingent rents, as per the previous accounting treatment. The other side of this entry was to increase (debit) the carrying values of the right of use assets

Following the initial accounting entries, the Council has identified that these right of use assets are delivering the same services and have not increased in value under a specialised asset valuation and so determined that they should be revaluation downwards to their specialised asset valuations provided by the valuation experts.

In accounting for these revaluation losses, a charge has been made to Other Comprehensive expenditure for the total revaluation losses of £19m with the charge flowing through as a reduction to revaluation reserve balances. A transfer of £17.8m has then been made from the revaluation reserve (unusable) to the capital adjustment account (unusable) to accurately reflect only the revaluation reserve balances that could have been consumed on the downward revaluation (a maximum of £1.2m). Without this £17.8m transfer, available revaluation reserve balances would have been understated and the capital adjustment account balances overstated.

In preparing financial statements incorporating IFRS 16 transition adjustments, the accounting treatment applied was in advance of clarification guidance issued by CIPFA in June 2025. We note that Management published the draft financial statements prior to this clarification guidance being issued so had no opportunity to consider its content when the draft accounts were being prepared. This guidance (CIPFA Bulletin 20) specified that downward movements in valuation should first be charged to the revaluation reserve and subsequently as a charge to the CIES (above net cost of services). It also clarified that these valuation movements, identified at the time of initial adoption, should be accounted for as in-year valuation movements in the same was as routine land and building revaluations.

The impact on the draft accounts arising from this finding is limited to the CIES and MiRS since we note that reserves balances have been fairly stated given the transaction present in the draft accounts totalling £17.8m, the effect of which was to accurately consume available revaluation reserve balances prior to making a charge to the CIES compliant with section 4.1 of the Code.

The adjustment required is a reclassification on the face of the CIES to reduce the IFRS 16 remeasurement charge to Other Comprehensive Income by £17.8m and increase the amount charged to services above the net cost of services line by £17.8m. Specifically, £7.4m would be required to be charged to Children & Families (£1m in relation to maintained schools and £6.4m in relation to PFI schools that have academised – to be treated as REFCUS) and £10.4m to be charged to HRA.

An adjustment will then be required in the MiRS to nullify the effect on general fund useable reserves and this will transfer the £17.8m from general fund to the capital adjustment account. As the final step, the transaction in the draft accounts transferring the £17.8m from the revaluation reserve to the capital adjustment account shall need to be reversed (this was a transaction included in the draft accounts to accurately state the reserves balances, and if not reversed this would duplicate part of the impact of the journal entries listed overleaf). The outcome of this adjustment has no impact on useable reserves or on the closing balances.

The impact of this adjustment on the Council's primary accounting statements is set out overleaf.

Audit adjustments

Impact of adjusted misstatements

One adjusted misstatement has been identified and is set out in detail below, along with its impact on the primary accounting statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund (usable reserves) £'000	Impact on unusable reserves £'000
Accounting for PFI assets on initial adoption of the new IFRS 16 leases standard - revaluation losses identified on initial transition to IFRS 16 leases accounting standard (new standard implemented in 2024-25)	Debit (increase) expenditure charged to net cost of services – HRA 10,400 Debit (increase) expenditure charged to net cost of services - Children & Families 7,400 Credit (decrease) expenditure charged to other comprehensive income (IFRS16 remeasurement of PFI liabilities) 17,800 <u>Reverse effect through the MiRS:</u> Credit CIES (decrease expenditure) 17,800	Nil	Nil	Nil	Nil
Overall impact of adjusted misstatement	Nil	Nil	Nil	Nil	Nil

There is no impact on the Authority's balance sheet or either useable or unusable reserves arising from this adjustment.

Audit adjustments

Impact of adjusted misstatements

Accounting for PFI assets on initial adoption of the new IFRS 16 leases standard - revaluation losses identified on initial transition to IFRS 16 leases accounting standard (new standard implemented in 2024-25)

Management response:

Management does not agree with the conclusions of the Audit Findings report.

In adjusting the Accounts in respect of PFI schemes on adoption of IFRS 16 management has followed the requirements of 4.2.2.97 of the Code of Practice in adjusting the opening balance of reserves, namely:

The lessee shall not restate comparative information. The lessee shall recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of reserves at the date of initial application.

The draft Accounts were prepared on this basis, which was also agreed with our external technical advisors.

Grant Thornton's technical 'Hot Review' of the Accounts in August 2025 noted that "on transition there should be no entries affecting the CIES. Only in-year remeasurements of PFI liabilities would be recognised in the CIES (but under the Surplus or Deficit on Provision of services and not in OCI) if the PFI asset is no longer in the Council's accounts", which is in-line with our treatment of these transactions.

No further requests for information were received until late October 2025 and no detailed queries until 23 December 2025.

The most recent comments where our accounting treatment on this issue were raised were not received until 15/01/2026, at which point Management were advised that that Grant Thornton had changed their opinion and that they now thought that the treatment in the Accounts was incorrect.

This timing has left management feeling they are left with little option but to accept the auditor's view due to report publication deadlines and the impending audit backstop dates. Had the detailed questions been raised on a more timely basis, then the Council, its advisors and Grant Thornton could have had opportunity to work through each other's interpretation of the code and guidance.

As it stands, the timing and the approach to what is fundamentally a difference in interpretation of a Code guidance note is in our view not helpful and leaves the Council with what Management consider as Accounts that could be interpreted as non-compliant. Furthermore, this not only impacts the current Accounts but will also affect the 2025/26 Accounts as all of the affected comparatives will look out of kilter.

In order to avoid missing the audit backstop date (with the resulting implications of a qualified audit opinion which would take numerous years to clear and likely incur additional fees from external audit) management have reluctantly agreed to restate the accounts as per Grant Thornton's opinion.

Management are hopeful that Grant Thornton's interpretation on this guidance does not change again for the 2025/26 Accounts given the impacts this would have on workloads.

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund (usable reserves) £'000	Impact on unusable reserves £'000
Overstatement of grant income and corresponding expenditure - Teachers' Pension Scheme Employer Contribution Grant (TPECG) This grant is new in 2024-25 and provides funding to the Council to support with the increase in employer contributions to the Teachers' pension scheme with contributions rising from 23.6% in 2023-24 to 28.6% in 2024-25. The total of this grant allocation for Kirklees totalled £10,739k, however, the Council recognised a total of £11,814k it the draft financial statements, thereby overstating grant income by £1,075k. We understand that this error arose as a result of an erroneous general ledger accounting entry processed to account for the element of the grant due to academy schools, whereby the transaction posted to the ledger as income was duplicated as was the expenditure incurred. This resulted in grant income and service expenditure both being overstated. Management has stated that it has communicated this error with the service accountant to prevent a similar error occurring next year. Management has also communicated that it has opted not to adjust the accounts for this error on the basis that it is immaterial to the financial statements.	Debit (decrease) grant income credited to services - Children & Families 1,075	nil	Credit (decrease) total net expenditure 1,075	nil	nil
Overall impact of unadjusted misstatement	**1,075**	**nil**	**1,075**	**nil**	**nil**

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund (usable reserves) £'000	Impact on unusable reserves £'000
Cost valuation of Cultural Heart capital scheme held as an asset under construction Our review of the year end cost valuation of the Cultural Heart capital scheme identified that a scheme valuation dated 1 April 2025 had not been accounted for with assets under construction on the Council's balance sheet at 31 March 2025. This valuation, as certified by the Council's surveyors and cost advisors, covers the capital works completed between 1 March and 1 April and therefore we are satisfied that all of the works valued relate to the 2024-25 financial year and should be included on the Council's balance sheet at 31 March 2025. The works completed and certified relating to the March 2025 period totalled £1.2m. Management has opted not to adjust for this misstatement on the grounds that it is not material to the Council's financial statements and balance sheet position as at 31 March 2025.	£nil	Debit (increase) assets under construction 1,200 Credit (increase) short-term creditors (capital creditors 1,200	£nil	£nil	£nil
Overall impact of unadjusted misstatement	**£nil**	**£nil**	**£nil**	**£nil**	**£nil**

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund (usable reserves)	Impact on unusable reserves
Variances identified in gross internal area (GIA) data used in the valuation of buildings that use the DRC basis of valuation As part of our detailed testing on the valuation of land & buildings, verifying the accuracy of source data used in the valuation, we performed work to agree a sample of gross internal areas back to the AutoCAD floorplans held by the Council's estates function. This sample testing comprised testing a sample of 10 buildings, with a NBV greater than £5m (combined NBV of £152m), thereby placing a focus on testing high value buildings. With a total sample population value of £152m from a total of DRC land & buildings population of £371m, we have considered coverage sufficient to perform an extrapolation procedure to determine an extrapolated error value for the total population. An extrapolated error totalling £4.1m (increase to valuations representing an understatement) was identified, which represents a 1.4% error rate. Whilst the error rate could be considered low based on the average of all variances, the range of variances above indicates there are some inaccuracies in the datasets, which the Council should look to remedy as a matter of good housekeeping. We note that the land element has been removed from the £371m to calculate the £4.1m extrapolated error, since GIA records are not expected to impact on the valuation of land.	£nil	Debit (increase) valuation of other land & buildings £4.1m	£nil	£nil	Credit (increase) unusable reserves £4.1m either posted to the Revaluation Reserve OR via CIES, through the MiRS and, into the Capital Adjustment Account (CAA)
Overall impact of unadjusted misstatement	**£nil**	**£4.1m**	**£nil**	**£nil**	**(£4.1m)**

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on total net expenditure	Impact on general fund (usable reserves)	Impact on unusable reserves
Classification of Grants Received in Advance (Grants in Credit) on the Council's balance sheet The financial accounting technical 'hot review' on the Council's financial statements in 2024-25 identified that the Council's accounting for grants received in advance is not consistent with the accounting principles set out in the Code. Note 1.10, the accounting policy for Government Grants and Contributions states that grants for which conditions have yet to be satisfied are accounted for as creditors. There is a distinct requirement in the Code which requires grants for which the cash has been received but have not yet been recognised as grant income are to carried on the balance sheet as '*Grants Receipts in Advance*'. In this regard, we challenged management that the Council's accounting for these grants was non-compliant with Code requirements. Management considered the Code requirements but was not minded to adjust the financial statements on the grounds that these grants received in advance balances are cumulatively immaterial to the financial statements. This misstatement remains unadjusted. We note this misstatement is one of classification only and does not impact on the Council's revenue outturn or its overall balance sheet position.	£nil	Debit (decrease) short term creditors £4.8m Credit (increase) grants received in advance £4.8m	£nil	£nil	£nil
Overall impact of unadjusted misstatement	**£nil**	**£nil**	**£nil**	**£nil**	**£nil**

Audit adjustments

Misclassification and disclosure changes

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

Account balance / disclosure note	Misclassification or disclosure change identified	Adjusted?
Note 34, Officers' Remuneration	The disclosure table which sets out the number of employees whose remuneration was £50,000 or more in the year has been updated to include overtime pay. The Code states that remuneration covers salary, allowances and bonuses paid during the financial year and as such, we challenged management that overtime pay is included within this definition. This change has not impacted on the 497 officers disclosed in the 'schools' column but the 'other' column has been adjusted from 441 officers to 466 officers (an increase of 25). The number of officers falling within each £5k band has been adjusted accordingly and checked by the auditor.	✓
Note 36, Related Party Transactions	Part ii) Companies of Note 36 references to the disclosures shown at Note 40 in respect of the PFI transactions with Suez Recycling and Recovery Kirklees Ltd, Kirklees School Services Ltd and QED (KMC) Holdings Ltd. Our work identified that whilst the unitary payments were shown at this Note, there were further transactions comprising payments for capital works and for services of a revenue nature that totalled £17.3m in aggregate that had not been disclosed. Management recognised this and opted to add additional narrative to indicate the nature and value of these previously undisclosed transactions totalling £17.3m.	✓
Note 41, Pension Disclosures	Following discussions with West Yorkshire Pension Fund, Management identified post draft accounts that the Pension Fund's assets had increased by 0.6% for year ended 31 March 2025. Management obtained an updated IAS 19 report that indicated an increase in the LGPS funded gross pension asset of £9.5m. We have not identified any impact on the Council's balance sheet due to the application of IFRIC 14 which has resulted in the LGPS net pension surplus being capped at £nil and a nil balance position recorded on the balance sheet in respect of the funded LGPS net pension balance. Therefore, this misstatement only impacts on the disclosures at Note 41 to the accounts. Management has adjusted the accounts to reflect this change in the amounts disclosure at Note 41 to the accounts by increasing the value of the gross pension asset disclosed by £9.5m with a corresponding increase to the value of the unrecognised asset.	✓
Various notes	Other minor disclosure amendments to improve financial reporting and transparency for the reader of the accounts.	✓

Audit adjustments

Misclassification and disclosure changes (continued)

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

Account balance / disclosure note	Misclassification or disclosure change identified	Adjusted?
Note 19, Financial Instruments - Financial Assets Fair Value	In the preparation of the Financial Assets Fair Value disclosure note one element of the bad debt provision had been double counted thereby leading to an understatement of the fair value disclosed by £3.8m. This has been adjusted for in the updated financial statements which has led to an increase in the fair value of financial assets from £31.6m to £35.4m.	✓
Note 19, Financial Instruments - Market Risk	For borrowings with a fixed rate of interest, the disclosure of how the fair value of this borrowings would be impacted by an increase in interest rates was omitted in the draft financial statements. It was identified that a 1% increase in rates on fixed rate borrowings would reduce the fair value of these loans by £45m which is material to the Authority. Given the material nature of this disclosure, Management has opted to include this disclosure in the updated financial statements.	✓
Note 41, Pension Disclosures	Note 41 has been updated to include an additional disclosure that shows a reconciliation of the effect of the asset ceiling from the opening balance to the closing balance, as required by the Code and the IAS 19 accounting standard.	✓
Note 39, Leases	An additional table has been inserted at Note 39 to disclose the present value of the future lease payments, as required by the Code and the IFRS 16 accounting standard. This additional disclosure sets out future lease payments on a discounted basis, whereas the draft accounts only disclosed the future lease payments on an undiscounted basis.	✓
Note 5, Assumptions and Major Sources of Estimation Uncertainty	Several presentational and disclosure adjustments have been made to improve the clarity of this note and to ensure this note disclosures only those estimates that give rise to material estimation. Management recognises that there was some over-disclosure in the draft accounts, and the note has been simplified to ensure disclosures are proportionate and understandable for readers. • References to investment property and arrears balances have been removed from this note on the grounds of immateriality • Disclosure on DRC valuation estimation has been updated to disclose the carrying value of assets valued on the DRC basis (£371.3m) • Disclosure on depreciation estimation has been updated to disclosure the carrying value of assets subject to depreciation (£1.466bn) • Narrative disclosed in respect of Pensions Asset estimation has been updated to reflect the fact that the sensitivity analysis disclosed is based on the funded defined benefit obligation rather than the net pension asset.	✓

Audit adjustments

Misclassification and disclosure changes (continued)

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

Account balance / disclosure note	Misclassification or disclosure change identified	Adjusted?
Cash Flow Statement	As described on page 6 of this report, we encountered a number of challenges when auditing the Cash Flow Statement, which centred around the understandability of the cash movements presented in the Council's supporting working papers. The audit of this statement involved a number of discussions with Management on the accuracy of the transactions presented in the statement, particularly around the appropriateness of a number of adjustments made, which in our view had not impacted on the Council's cash flows during the year so should not have been included. We have set out below what we consider to be non-trivial misstatements which impact on the face of the cash flow statement and supporting notes. Note 29 Cash Flows from Operating Activities presents an amount of £40m for interest paid. Included in this value is an adjustment for £1m to account for an increase in the accrued interest creditor. Increases in creditor balances indicate that the Authority has paid out less cash and therefore, we expected £1m to have been deducted to reflect the increase in the creditor. Instead, the workings presented to audit added the £1m to the £39m CIES charge for the year which was identified as an error. This has been adjusted for by reducing the value presented in Note 29 to £38m. On the face of the Cash Flow Statement under the heading Net Cash Flows from Financing Activities, the Authority presented £152.5m as Cash receipts of short and long-term borrowing. Our review of underlying receipts from long-term borrowings indicated that the Authority had borrowed £98m from the Public Works Loan Board in year with a further £79.5m borrowed from other local authorities. The total of these receipts sums to £177.5m which represents the total in year borrowing taken by the Council. The cash flow line item for Net Cash Flows from Financing Activities - Cash receipts of short and long-term borrowing has been updated to accurately reflect the £177.5m of new borrowing taken. The £25m adjustment for new borrowings taken in year has also impacted on the line item for Repayments of short and long-term borrowing under the heading Net Cash Flows from Financing Activities. The adjustment has increased Repayments of short and long-term borrowing from £84.8m to £109.8m. This has also been adjusted for in the updated financial statements. Recognising the material classification adjustment to the Cash Flow Statement, we consider that there is scope for simplification of the cash flow working paper in 2025-26 to aid with its understandability and scope for the Council to build in further quality assurance checks within the accounts closedown process to prevent such errors recurring in future years. We have raised an auditor recommendation in this regard on page 57 of this report.	✓

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Costing of internal repairs & maintenance, and capital works:** Our work identified that for housing stock repairs, an inflation factor was being applied to cover the period from 2007-08 to the 2024-25 year. The year 2007-08 was the year that these internal costings for each job type were last reviewed. This job costing from 2007-08 is being inflated by this inflation factor to calculate the job costings utilised in the current year. This was 1.27 for this financial year and affected internal capital works that were capitalised by the Council. Such internal works include costs and materials that form part of the Council's payroll bill and other services expenditure. An example of one of the accounting entries which uses this inflation factor is the recording of capital works on the HRA – this removes expenditure from the CIES and capitalises that spend on the Council's balance sheet. Since these are real transfers from revenue to capital it is our view that the transfers should be estimated with a reasonable degree of precision. In our view, such a significant inflation factor (27%) for an extended period of time (> 15 years) does not clearly demonstrate how the charge being made to revenue or capital expenditure is reflective of the cost of the works carried out.	We recommend that the Council update its costings for recharges to capital so that such general inflation factors are no longer applied in future financial years. **Management response** *The majority of works carried out by Property Services are charged on new principals and rates, for instance Responsive Repairs are now charged via price per property. Unfortunately, Empty Homes is the only work stream that has not moved to a new charging model but is still based on the original tendered contract rates, which have been inflated each year. However, the service is currently implementing a new IT system, which will eradicate many of the manual processes, and automate them within the new IT system, and this will include how jobs are costed and charged.*

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Low	**Understandability of working papers to support the Council's bad debt provision held on the balance sheet against its short-term debtor balances** Our work highlighted that the Council has accounted for an impairment allowance on short-term debtor balances as per the requirements of the Code. We understand that these provisions are calculated by finance officers in each of the services, grouping debtor balances of similar nature and credit risk. The Council's Code-complaint approach has resulted in over 30 working papers being produced in relation to the provision for bad debts. Whilst each of the specific provisions is shown on the trial balance (TB) as a credit against short-term debtors, we encountered some difficulties in identifying the relevant working papers for the balances on the TB and there were a number of trivial differences where the supporting working papers did not agree through to balances on the TB.	We recommend the Council considers how the working papers for the bad debt provision could be summarised or indexed so it is clear in 2025-26 which working papers are relevant to each of the lines for the bad debt provision on the TB. We also recommend that the service accountants check the supporting working papers agree through to TB balances as a final step in the accounts closedown process. **Management response** ***The Council will review and consider producing a working paper for 25/26 that ties the overall bad debt provision to the individual working papers produced by Service Accountants and back to the trial balance.***

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment: ● Medium

Issue and risk:

The Council's proposed approach to ensure full compliance with Statutory Guidance Capital finance: guidance on minimum revenue provision (5th edition) (Effective for accounting periods starting on or after 1 April 2025)

The 2019 statutory guidance (4th edition) required an MRP charge to be made on capital loans over the useful life of the third-party assets, which have been funded using the loan. Our review indicated that such charges have not been made. This guidance has now been superseded by the 5th edition with the effective date as shown above.

New statutory guidance which takes full effect from April 2025, introduces new provisions for charging MRP on capital loans, specifically for loans issue after 7 May 2024. This guidance states that where an impairment of the loan is recognised in any financial year, a local authority must charge MRP which is at least equal to the impairment recognised. There is no requirement to make a day one MRP charge to match the historic cumulative impairment recognised, however, the revised statutory guidance states that LAs must be satisfied that the charging of minimum revenue provision is sufficiently prudent.

The 5th edition guidance makes a distinction between commercial and non-commercial loans with commercial loans described as those entered into primarily for financial return. Local authorities must make MRP with respect to any debt used to finance a commercial capital loan. For non-commercial loans, local authorities can elect whether to charge MRP, however, for non-commercial capital loans that have recognised losses, the option to not charge MRP is not available.

The revised guidance will enable LAs to reduce the MRP charge by deducting any amount of the capital receipts which are received in respect of a loan during the financial year, when they are applied to repay the same loan. For example, for the Kirklees College soft loan, the Council may choose to treat the £0.9m of repayments from the counterparty in year being as sufficient to cover the financing of the loan and abstain from charging MRP.

The Council has £20m of capital loans against which a £4m impairment provision has been accounted for in unusable reserves. To date, no MRP has been charged against these loans. As such, as and when any impairment losses are realised this will give rise to an unplanned impact on general fund reserves balances. Whilst the Council has referred to the impact of the 5th edition guidance and the requirements to provide of MRP on capital loans in its approved budget for 2025-26, it is our view that the Council should communicate whether its lending falls within the commercial or non-commercial loans regime and how it has reached this judgement. It should also be set out how the Council intends to ensure full compliance with the new requirements on charging MRP, particularly in respect of those capital loans with existing credit losses recognised.

Recommendations:

Recognising the new statutory guidance came into Force from 1 April 2025 and that some commentary on its impact was included in the 2025-26 budget paper, it is our recommendation Management to confirm and report its proposed approach to charging MRP on capital loans in 2025-26 and beyond. All loans provided by the Council are not primarily for financial purposes and are therefore non-commercial. The Council will comply with the new guidance effective from April 2025.

Management response:

All loans provided by the Council are not primarily for financial purposes and are therefore non-commercial. The Council will comply with the new guidance effective from April 2025. Where required, the council will charge MRP in accordance with expected credit losses recognised. However, it should be noted that per paragraph 75, the requirement to charge MRP in line with the expected credit loss does not apply to capital loans made prior to the commencement of the regulation (07/05/24). Therefore, for existing loans, in line with paragraph 78, the Council will ensure, that as a minimum, MRP is charged to cover any expected shortfall over the remaining life of the assets funded by the loan.

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High	**Integrity, accuracy and understandability of working papers to support the Council's cash flow statement** As noted on page 6, the Council has an internally-developed model to prepare this statement, which we understand has been the Council's long-standing adopted approach to the preparation of this statement. During the last two cycles of external audit, we have flagged concerns that the sections of the statement include non-cash-based transactions, which contrary to the principles of the cash flow statement. In addition, we have expended a great deal of time completing this work, well in excess of expectations. Across our LG client portfolio, the audit of the cashflow statement is traditionally a straightforward area of an audit taking a minimal amount of time. The Council adopts the indirect method of preparation, whereby net surplus or deficit on the provision of services is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of revenue or expense associated with investing or financing cash flows. This is a fully permitted approach under the Code. There are several aspects to draw out from the working papers presented to us that we think can be enhanced/reviewed in 2025-26 to support the audit process and reduce the volume of queries shared with finance officers during audit fieldwork. • The Council currently presents transfers between short- and long-term borrowings within the cash flow statement supporting workings. Since the line item is presented on a combined basis, it is our view that these movements in the working paper adversely impact the understandability of the underlying transactions presented and removing such movements between short- and long-term would aid with understandability. • The values presented in the statement for borrowings taken and repaid are not round numbers. We view this as an immediate red flag since the Council takes and repays borrowings to the nearest £million (aside from some small transactions with the local parish council). Any interest paid at the end of the term is not to be presented alongside principal capital repaid. It is our view that this principle around the nature of the Council's transactions should be considered during the Council's preparation of this statement in future accounting periods. • Whilst noting the indirect method of preparation has been adopted by the Council, we consider that there is scope for the Council to also present actual cash-based transactions alongside its workings, and demonstrate how these reconcile with the workings shown in the Council's long-standing working papers. For example, it is our view that presents a list of borrowings taken and repaid alongside existing workings and showing how these reconcile to the values presented in the statement of cash flows would likely to demonstrate the validity and accuracy of the figures presented.	Whilst the Council adopts a Code-compliant approach to the presentation of its cash flow statement and has long-established suite of working papers to support with preparation of the statement and supporting notes, there is scope to simplify and improve the clarity of this working paper in 2025-26 to aid with its overall understandability. This should also support with a more efficient audit process next year and reduce the audit the volume of auditor queries asked of officers during fieldwork. **Management response** ***The Council will seek to simplify its current Cash Flow working paper and introduce additional checks and reviews in order to improve accuracy, consistency and understandability.***

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	**Outlier data used in the calculation of the annual leave accrual** The calculation of the year end accrued leave creditor in 2023-24 was based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative & owed to the Council) and the highest at 315 days accrued. The average was 11 days but the middle value (median) was almost half of that at just below 6 days. This gave rise to some estimation uncertainty in the calculation of the accrual albeit this was not deemed material. We recommended that a data collection exercise take place in the remaining months of the financial year and any outliers are appropriately challenged by management.	No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26. *Management update (January 2026):* *The accrual is an estimate based on a sample of employees over a range of services taken at a point in time. The sample was used to calculate an average number of days leave and flex and applied to employee numbers and salary costs and the balance sits within unusable reserves. Outliers cannot be eliminated as that is part of the sample, however management note the potential impact.*
Still to be implemented	**Employee Handbook – Document Out of Date** 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. 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).	*No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.* *Management update (January 2026):* *Updates on polices have taken place over the years to reflect changes to employment legislation and ensure compliance. The employment rights bill has now become law, it received Royal Assent in December 2025 and we now have the Employment Rights Bill 2025. This year is a landmark for the most significant employment law changes for 2026 and beyond. We have now completed recruitment of a HR Manager for Employee Relations and the recruitment of the other essential team members. Informal conversations have taken place with key stakeholders to understand priorities for the handbook and how this links with the new legislations and their timings. There is a paper being presented to ELT in February to present options and recommendations and the proposed approach and timescales for the Council.*

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	**Adult Social Care – Client Contributions – accurate recording in general ledger** Our work on testing fees and charges – adult social care client contributions identified a sample with an annual contribution value in the general ledger 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. 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.	*No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.* *Management update (January 2026):* *The Interface is still planned and awaiting go-live. Work began last week on a full income reconciliation, the aim being to have it fully completed before closedown*
Still to be implemented	**Investment Property – Ensuring Code compliance in respect of the requirement for and annual revaluation of the whole asset class** Investment properties are required to be revalued annually in accordance with the CIPFA Code. 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. These sub-£250k investment property assets are subject to a valuation of the basis of a 3-year rolling programme. 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. We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.	*No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.* *Management update (January 2026):* *The Council applies a de-minimis threshold for annual revaluation due to impracticality and the cost of revaluing every asset annually when these values would not significantly change year on year. This process has been agreed with the 2 previous Audit Partners.*

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	**Use of recharges in the Council's financial statements without supporting data and a reconciliation process to verify the validity of these recharges** The Council 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. 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. 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.	*No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.* *Management update (January 2026):* *Noted and the council has commenced a process to reduce the number of recharges and reduce the administration around the process.*

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partly implemented	**Maintaining up to date knowledge of the Council's buildings estate** 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. 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.	*External audit update 2024-25:* *From the detailed testing performed in 2024-25 on the closing valuation of land & buildings, we have not identified any instances of buildings being taken out of service or repurposed without management's valuer being informed. In this regard, communication with the external valuers appears to have improved since prior periods.* *However, we have continued to encounter issues with the accuracy of gross internal areas used in the valuation, so this recommendation does not appear to have been fully addressed. This recommendation will remain open and we shall comment on this further in 2025-26.* *Management update (January 2026)* *On gross internal areas (floor area data), we agree there is an issue, however there is currently a new system being provided by Estates and plans provided to the valuer in 25/26 will be checked to CAD drawings.* *In addition, the Assets & Estates service have confirmed that this is the final year of using the K2 system and its replacement shall be far more efficient and fit for purpose. Further, the floor areas for 2025/26 will be taken solely from the CAD plans and a separate list of floor areas will be provided to the valuer.*

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Still to be implemented	**Additions posted in quarter 4 (post valuation) for other land & buildings and council dwellings** 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 of 31 December whether capital spend is value enhancing or non-enhancing. This judgement eithers 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. 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.	*No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.* *Management update (January 2026):* *Noted. However, the Council cannot move the valuation date to 31 March as this would not allow the statement of accounts to be completed by the statutory deadline date. The current approach is based on a pragmatic methodology to ensure that the balances are materially correct.* *Although we do not have a formal working paper or document, we do review capital expenditure added after the valuation date and would consider the issue of impairment. In some cases, there could be some instances where there is impairment, but the amounts are not material at the level of individual assets.* *We will investigate the possibility of adding a separate note in our capital expenditure working paper.*

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Appropriate challenge by management of the external valuer on the valuation approach – Mainstream schools & Energy from Waste Facility** **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. 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. **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 that 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. 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.	*Our detailed testing on the valuation of schools in 2024-25 has indicated that the Council's newly engaged valuer in 2024-25, Align Property Partners, has adopted the MEA approach to the valuation of schools using the Building Bulletin 103 guidelines, using the number of pupils on roll at the school around the time of the valuation.* *It is our view that adopting this methodology means that Kirklees Council is now falls in line with our expectations with regards the approach used for the valuation of schools. We consider the auditor recommendation around the valuation of mainstream schools to have been addressed and closed.* *On the second aspect of the prior year recommendation, the newly engaged valuer, Align Property Partners, has valued the waste facility during the 2024-25 year and from the correspondence we have inspected, the valuers appear to have considered the points of challenge raised in the prior year and their valuations include a good level of documentation with including rationale to support their judgements and the assumptions used. Having also communicated with our internal auditor's expert on these valuations, we are materially satisfied that an appropriate valuation approach has been adopted for the valuation of the energy from waste facility. We consider this auditor recommendation to have been addressed and it is now closed.*

Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in ten recommendations being reported in our 2023-24 Audit Findings (ISA260) Report. The following section sets out our observations from 2024-25 on management's progress in implementing the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**IFRS 16 'Leases' implementation from 1 April 2024** 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. 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. 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. 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.	*The Council has now adopted IFRS 16 on 1 April 2024 with the only material impact observed on the initial recognition of the Council's PFI liabilities. Our audit work on leases did not identify any material issues with the Authority's accounting for such leases. In addition, the audit team reviewed the procedures carried out by the Authority to identify all relevant leases within scope of IFRS 16 – no such material misstatements to right of use assets or lease liabilities have been identified. We consider this auditor recommendation to have been addressed and it is now closed.*
Still to be implemented	**Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice** 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 s. It was our view that additional detail would be beneficial in the report to properly address these requirements. We recommended that the Council refresh its Narrative Report checklist to ensure all Code requirements are captured in this financial year (2024-25).	*No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.* *Management update (January 2026):* *Whilst noting the recommendation, the Code states that this section of the Accounts is outside the scope of the audit and the resulting audit opinion. Management are content that the Narrative Report satisfies the statutory requirements laid out in the Code and would stress that within the requirements of the Code, the content and style of the Narrative Report is at the discretion of the Council. Management are also content that the information contained within the Narrative Report is not only consistent with prior years disclosures but also in-line with other neighbouring authorities.*

7 Value for Money arrangements

Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

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.

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.

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

Value for Money: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which will be presented to Corporate Governance and Audit Committee in January 2026, incorporating management's responses to the Key Recommendations identified below.

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

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Financial Sustainability – sufficiency and resilience of the general fund reserves position, management of budgetary pressures & weaknesses in the Council's overall financial standing	We held discussions with senior management to understand the view of senior officers on the Council's financial position and actions being taken to strengthen the reserves position, and work to a position where general fund reserves are not required to support the day to day revenue budget. We reviewed relevant budget report and the Medium Term Financial Plan and challenged management on the appropriateness of assumptions and sufficiency of usable reserves balances. We benchmarked the Council's position against other Local Authorities in similar positions.	This significant weakness was first reported in our 2021-22 Auditor's Annual Report. Since then, management has made progress in identifying the key drivers of annual budget imbalance, and developing savings plans for the Council to achieve financial balance. The Council has improved the process for generating and monitoring savings, having changed the focus from one off items, and the Council has a plan to increase reserves, though there were still significant budget pressures arising in year with a £5.6m overspend at outturn. Despite a lower forecast overspend in 2025-26 compared to the three previous years, the Council, like many others, continues to face significant financial pressures from increasing demand and costs. There is an estimated funding gap of £30.2m over the life of the MTFP, and although the Council has made progress, it has yet to demonstrate that it is financially sustainable in the medium term, with overspending services and low reserve levels. There is further work required to: • manage budget and demand pressures arising in year more closely and implement timely mitigations • ensuring pressures, growth, assumptions and future savings levels are accurately captured in the MTFS which should offer a more realistic baseline budget. • identifying transformation targets against which performance can be assessed and monitored, reporting these clearly within financial monitoring reports and feeding outcomes into MTFS plans • determine the target level of reserves it wishes to achieve in future years of the MTFS.	We raised a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, which is to be presented to CGAC in January 2026.

Value for Money: our procedures and conclusions (continued)

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Financial Sustainability – Management of the DSG deficit position	We held discussions with senior management to understand their views on the Council's progress in meeting the Department for Education's revised target of eliminating the DSG deficit by 2030. We reviewed relevant reports and detailed recovery plans and challenged management on the appropriateness of the assumptions used. We assessed the Council's current position against the revised plan and noted that the Council is once again 'off-track' with its delivery.	This significant weakness was first reported in our 2022-23 Auditor's Annual Report. At the end of the 2023-23 financial year, we were not satisfied that the Department's target was reasonably achievable and at that point the Council was 'off-track' against its agreed recovery plan with the DfE. In 2023-24, the Council agreed a revised pathway with the Department that set a revised date of 2030 to eliminate the DSG deficit. For 2024-25, the Council's cumulative DSG deficit stood at £63.8m at outturn compared with the Safety Valve agreement plan of £63.3m. The gap between the Safety Valve agreement plan and actual outturn is set to rise in future years and the Council is forecasting a cumulative deficit at March 2030 of £56.3m against the Safety Valve plan of £33m. At the time of reporting, the Council is forecasting significant under-delivery of the revised Safety Valve agreement targets.	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, which is to be presented to CGAC in January 2026.
Improving economy, efficiency and effectiveness – compliance with the Social Housing Regulator standards	We reviewed the Regulatory Notice published by the Social Housing Regulator following a self-referral from the Council after failing to meet statutory health and safety requirements in some council homes. The Council self-referred itself to the Social Housing Regulator as it had identified a failure to meet the statutory health and safety requirements.	Consistent with the reporting from the Social Housing Regulator, our work identified that the Council has outstanding actions in relation to: • fire remedial actions resulting from fire assessments • repairs required to address damp and mould • water quality testing. The Council has continued to progress improvement, and has actions in place to fully address the issues identified. The Council should continue to progress improvements against issues identified within the Regulatory Notice issued by the Regulator of Social Housing in March 2024. This includes completing fire remedial actions and fire assessments, closing down the backlog of damp and mould cases, and completing water quality testing within all properties.	We made a Key Recommendation as required by the Code of Audit Practice. Full details will be provided in the separate Auditor's Annual Report, which is to be presented to CGAC in January 2026.

8 Independence considerations

Independence considerations

As we are Statutory Auditors of the Council in the United Kingdom ("UK"), we are required to follow International Standard on Auditing (UK) 260 and the Ethical Standard (December 2019) 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 report.

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 Authority, its directors and senior management that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity. The Financial Reporting Council Glossary of Terms – Ethics and auditing defines a 'covered person' as: a person in a position to influence the conduct or outcome of the engagement.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. There are no independence matters that we would like to report to you.

- All members of the engagement team and all covered persons within Grant Thornton UK LLP have confirmed their independence from Kirklees Council.
- No gifts and hospitality from Kirklees Council and its officers or members have been accepted by members of the engagement team or covered persons.
- In the context that this is a public sector audit engagement, no work has been undertaken on this engagement by other Grant Thornton firms or member firms overseas.
- We have received confirmation that our directly engaged auditor's expert for property valuations, the GT UK Valuations Team, is independent of the Council.
- We have received confirmation that our auditor's expert for IAS 19 defined benefit pensions, PwC, is independent of the Council. PwC were engaged to undertake this role by the National Audit Office (NAO).

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

Further, 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.

Details of fees charged are detailed on page 73.

Independence considerations

Non-audit fees

A schedule of our fees and non-audit services is set out further in this report, including an assessment of any perceived or actual threats to our independence and, where relevant, safeguards applied.

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

No contingent fee arrangements are in place for non-audit services provided.

All of the non-audit fees charged are for audit-related services and these are limited to the certification of grant claims to central government and its departments. This work is permitted by AGN 01 issued in February 2025 and represents routine additional work undertaken on an annual basis by external audit suppliers to local government.

Within the NAO's AGN 01 guidance note, this audit-related assurance work is permitted under the heading '*other assurance (such as work on the quality accounts of local health bodies or work on grant claims and returns at local authorities) where such assurance is mandated by legislation or by a relevant national body* or regulator'.

Independence considerations

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

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the 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 Authority. As a unitary council in the public sector, whilst the Ethical Standard instructs us to mitigate the risk to independence from investments held by individuals, we note the Council is publicly owned by the taxpayer and as such this risk of investments held by individuals cannot arise.
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 Authority 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 Authority.
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 Authority, senior management or staff.

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

Fees and non-audit services

The following tables below and on the following page set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, 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 Public Sector Audit Appointments' policy on the allotment of non-audit work to the external auditor. None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP 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 fees	£
Audit of Financial Statements – Kirklees Council – PSAA scale fee	473,400
IFRS 16 implementation review (first year adoption of the new accounting standard)	5,000
Total audit fees	**478,400**
Non-audit fees (audit related) – Certification of Housing Benefits claim 2024-25	35,038
Non-audit fees (audit related) – Certification of Initial Teacher Training grant 2024-25	3,500
Non-audit fees (audit related) – Certification of Teachers' Pensions return 2024-25	12,500
Non-audit fees (audit related) – Certification of the Pooling of Housing Capital receipts 2024-25	10,000
Total fees (audit and non-audit fees)	**£542,438**

The above fees are exclusive of VAT.

The core fee above agrees to the financial statements – Note 32 – External Audit Costs.

Fees and non-audit services

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim 2024-25 (fees disclosed represent baseline fee – where additional testing is required this will be chargeable at £1,500 daily rate.	£34,253	£35,058 (estimated)	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 £35,058 in comparison to the total fee for the audit of £478,400 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 Service Director Finance to make these amendments. Amendments to the form can only be made by local authority staff and are initialled by the authorised signatory (Service Director Finance (s151)). We agree the factual accuracy of our findings with a member of informed management before issuing it to the DWP. We are satisfied from previous experience that the purpose of our testing and the potential impact of our findings on the form is understood by a member of informed management.

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

Fees and non-audit services

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of Initial Teacher Training grant	£3,172	£3,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,500 in comparison to the total fee for the audit of £478,400 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 DWP)	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

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of Teachers' Pensions return	£12,500	£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 £478,400 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 DWP)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by Teachers' Pensions and on its completion issue a report of factual findings. We will agree any amendments and factual findings with the Council's Responsible Finance Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. The Council's finance managers will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to Teachers' Pensions.

Fees and non-audit services

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats Identified	Safeguards applied
Certification of the Pooling of Housing Capital receipts	£10,000	£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 £478,400 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 DLUHC by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
			Management (because our report will inform the findings presented by management to DWP)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by DLUHC and on its completion issue a report of factual findings. The local authority and DLUHC form their own conclusions on the report. The report is restricted to those parties who have agreed to the procedures to be performed (being the local authority and DLUHC).

9 Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Confirmation of independence and objectivity of the firm 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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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		●
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		●

A. Communication of audit matters with those charged with governance

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 on the previous two pages.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

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

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

Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

B. 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 EQCR Partner

Greg Charnley
Audit Senior Manager

- Audit planning
- Main contact for the finance team
- Project and resource management of the delivery of the audit
- Reporting of audit findings

Aanchal Singla
Audit Assistant Manager

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

Ginette Beal and Andy Nichols
Value for Money Leads

- 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 including: Internal IT audit team, Public sector financial reporting technical team and Internal property valuations team.

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Annual client service review	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings (ISA260) Report • Auditor's Annual Report on VFM arrangements	• Audit planning meetings • Audit clearance meetings • Communication of issues log • Quarterly liaison meetings with the three statutory officers	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• 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 was 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.

C. Logistics

The audit timeline – 2024-25 cycle

Key Dates

Audit phases:

March – April 2025: Planning & Interim

May 2025: Communicate draft Audit Plan to management

20 June 2025 – Audit Plan presented to Corporate Governance and Audit Committee

30 June 2025: Deadline for publication of unaudited Financial Statements

July – December 2025: Year-end audit fieldwork (onsite and remote)

December 2025: Audit Findings (ISA260) Report and Value for Money Report – drafts to management

30 January 2026: ISA260 & VFM Reports presented to Corporate Governance and Audit Committee

Issue signed audit opinion: Before 27 February 2026 backstop date

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.

D. Management letter of representation

[**Prepare on client letterhead**]

Grant Thornton UK LLP
City Square House
11 Wellington Street
Leeds
LS1 4DL

XX January 2026

Dear Grant Thornton UK LLP

Kirklees Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Kirklees Council ("the Council") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Council's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

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

We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent;

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

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

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

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

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

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

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

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

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

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

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

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

D. Management letter of representation

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

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

xvi. We confirm that it is appropriate to account for the Local Government Pension Scheme pension asset ceiling at £nil in line with IFRIC 14 accounting principles.

Information Provided

xvii. We have provided you with:

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

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

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

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

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

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

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

a. management;

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

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

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

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

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

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

xxvi. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance and Audit Committee at its meeting on 30 January 2026.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

E. Audit opinion

[DRAFT] Independent auditor's report to the members of Kirklees Council

Report on the audit of the financial statements

Opinion on financial statements

Our opinion on the financial statements is unmodified

We have audited the financial statements of Kirklees Council (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Statement of Movement in Reserves, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Statement and the notes to these financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, the financial statements:

give a true and fair view of the financial position of the Authority as at 31 March 2025 and of its expenditure and income for the year then ended;

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and

have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

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

In our evaluation of the Service Director Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2024) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

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

Our approach to the audit

Grant Thornton

Overview of our audit approach

Financial statements audit

Overall materiality: £18,400,000, which represents 1.46% of the Authority's gross expenditure on cost of services.

Key audit matters were identified as:

- closing valuation of other land and buildings, and council dwellings
- closing valuation of investment property; and
- valuation of the defined benefit pension scheme net balance.

There were no key audit matters reported in our auditor's report for the year ended 31 March 2024 that have not been reported in our current year's report.

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

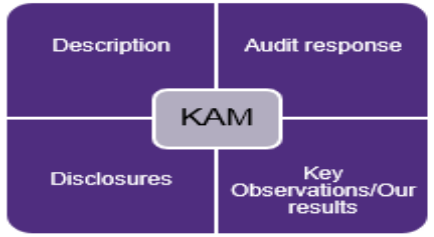
Value for money arrangements

We are required to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025. Our approach to this work is set out in the 'Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources' section of this report.

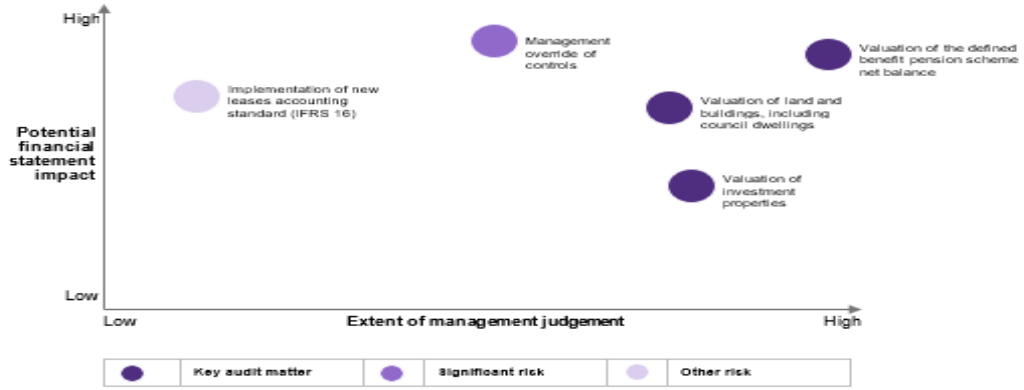
E. Audit opinion

Key audit matters

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



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



Key Audit Matter	How our scope addressed the matter
Closing valuation of Other Land & Buildings, including Council Dwellings We identified the valuation of Other Land & Buildings and Council Dwellings as one of the most significant assessed risks of material misstatement due to error. This is due to the value of the assets and the judgements and estimation involved in valuing them. Other land & buildings has a carrying value of £473m and Council dwellings £835m as at 31 March 2025, totalling some £1.3bn which is many times our audit materiality of £18.4m. The Authority re-values its land and buildings on a rolling three-yearly basis to ensure that the carrying value is not materially different from the current value. The Authority values its Council dwellings annually. Around 80% of the Authority's other land & buildings are specialised in nature with the valuation method depreciated replacement cost (including schools & leisure centres). Key inputs include the accuracy of the building size data, the selection of an appropriate rebuild cost and an appropriate reduction applied to the valuation to reflect a building's age and physical deterioration compared with a new equivalent. For the remaining 20% of non-specialised buildings (including car parks & office buildings), key judgements include the selection of relevant and appropriate open market data for rental values, investment yields and land values. There is a greater level of judgement involved in non-specialised valuations (when compared with specialised), however, the Authority's portfolio value of £90m is a low multiple of our £18.4m audit materiality that would require a high error rate to give rise to any material misstatement. Since management uses a 31 January valuation reference date for other land and buildings, an assessment whether assets' current value has changed materially to the year end is required. Additionally, Council dwelling valuations are based on Existing Use Value, discounted by a factor to reflect that the assets are used for social housing. The social housing adjustment factor is prescribed in Government guidance. There is a risk that the Authority's selection and application of the valuation assumptions is not in line with the statutory requirements and that the valuation of dwellings is not supported by open market evidence of sale prices of similar residential properties. A further risk is the application of an inappropriate social housing adjustment factor in the valuation.	In responding to the key audit matter, we performed the following audit procedures: o evaluated the design effectiveness of controls in place around the valuation process o evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work & the appropriateness of the basis of the valuation o evaluated the competence, capabilities and objectivity of management's valuation expert o evaluated the challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding & wrote to the valuer to confirm the basis on which the valuation was carried out o tested, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Authority's Asset4000 fixed asset register o evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end o performed analytical procedures on properties not revalued in the year and also those valued as at 31 January 2025 to establish that there was no risk of material movement up to the year end o engaged, our own RICS registered valuation auditor's expert to assess the instructions issued to the valuer, the assumptions and estimates applied that underpin the valuation of land & buildings and give a view on the adequacy and appropriateness of management's external valuer's report o agreed, on a sample basis, the internal floor areas (GIAs) to the Authority's K2 property asset management software and AutoCAD building measurement software o for non-specialised properties valued on the existing use value (EUV) basis, obtained market comparables on a sample basis, to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations o for the Authority's dwellings, valued using the beacon methodology, we obtained sales data from external sources and assessed the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we assessed the appropriateness of adjustments for additional bedrooms with reference to comparable houses sold.

E. Audit opinion

Key Audit Matter	How our scope addressed the matter
Relevant disclosures in the Statement of Accounts for the year ended 31 March 2025 Accounting Policies, Note 1.21, Property, Plant and Equipment (PPE – Excluding Highways Network Infrastructure Assets) Note 15, Property, Plant & Equipment The Narrative Report	**Key observations** Our valuation testing of floor areas to property records & AutoCAD drawings identified errors in source data provided to the valuer. This error has been extrapolated across the population of DRC assets and the extrapolated error totals £4.1m. This has not been adjusted the basis that this is extrapolation and not a factual error and is not material. We obtained sufficient audit assurance to conclude that: o the basis of the valuation of land & buildings and Council dwellings was acceptable; and o the valuation assumptions and processes used by management in determining the estimate of valuation of land & buildings and Council dwellings were balanced and reasonable.

Closing valuation of Investment Property

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

The Authority is required to re-value its investment property portfolio annually for in line with the Code requirements. The Authority complies with this requirement apart from in respect of investment properties with a valuation below £250k, which do not form part of the annual revaluation exercise. The sub-£250k properties are valued as part of a 3-year rolling programme. The total of all investment properties individually valued below £250k was £9.3m, which management does not consider to be material.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £81.5m) and the sensitivity of this estimate to changes in key assumptions & judgements.

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

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

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

Relevant disclosures in the Statement of Accounts

Accounting Policies, Note 1.15 Investment Property

Note 17, Investment Property

The Narrative Report

Our results

We obtained sufficient audit assurance to conclude that:

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

E. Audit opinion

Valuation of the defined benefit pension scheme net balance

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

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

At 31 March 2025, the Council reported a net pension surplus in its financial statements that was subsequently capped at £nil applying the principles of IFRIC 14. Gross assets were reduced by just over £0.6bn to reach the £nil balance sheet asset position. A £47m pension liability reflected the Council's obligations in respect of unfunded liabilities (teachers and LGPS), for which there are no pension assets.

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

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

2024-25 is the third year that the Authority has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on recognition of a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

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

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

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net surplus is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- engaged a consulting actuary (auditor's expert) to assess the assumptions applied by management's actuary
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- performed procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and we performed any additional procedures suggested within the report
- obtained assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements
- confirmed that pension fund asset valuations were based on a 31 March 2025 valuation date.
- obtained and reviewed the IFRIC 14 calculation document directly from the Council's actuary, including considering whether the Council's future pension funding assumptions would give rise to no economic benefit that would support the capping the net pension asset at £nil on its balance sheet.

Relevant disclosures in the Statement of Accounts

Accounting Policies, Note 1.6 Employee Benefits

Note 41, Pensions Disclosures

The Narrative Report

Our results

We assessed the £nil balance for the funded pension scheme presented in the draft accounts to be an appropriate management estimate. This judgement has been reached having considered the following points:

- The calculation assumes a minimum funding requirement exists in respect of Local Government Pension Scheme (LGPS) which means that annual contributions to the scheme will continue to be required irrespective of the value of any net pension surplus.
- The calculation has also assumed that the LGPS will remain open to new members on an infinite basis and as such an annuity in perpetuity basis has been used.
- Current negative secondary (past service) contributions have been assumed to continue for the remainder of the 21-year recovery period.

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

Detailed audit procedures and challenge of management with regards the IFRIC 14 pension asset ceiling calculation indicated a negative asset ceiling, to be capped at £nil as per IFRIC 14 principles, which is in line with the recognition and presentation in the draft accounts.

Our work also confirmed that an unfunded defined benefit liability of £47m, relating to termination benefits made on a discretionary basis, continues to exist that is recognised as a liability under IAS 19 in the accounts.

E. Audit opinion

Our application of materiality

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

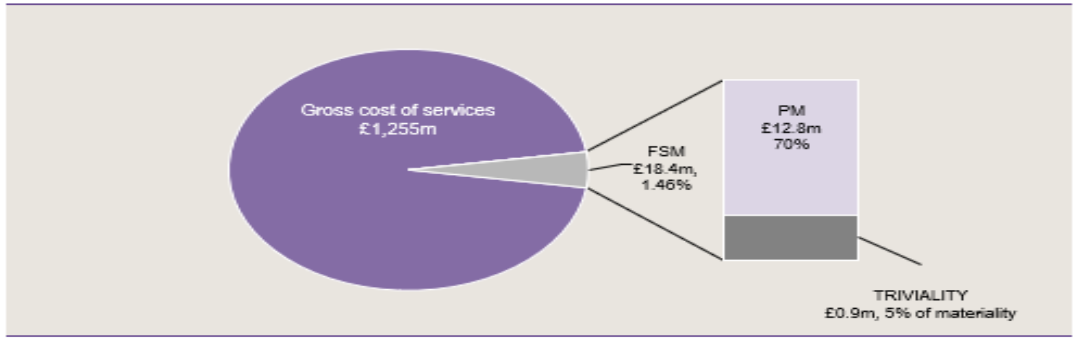
Materiality was determined as follows:

Materiality measure	Authority
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.
Materiality threshold	Overall materiality has been set at **£18.4 million**, which represents **1.46%** of the Authority's gross expenditure on cost of services. There has been no change to the value of materiality communicated in our Audit Plan.
Significant judgements made by auditor in determining the materiality	The determination of materiality involves the exercise of professional judgement. In determining materiality, we made the following significant judgements: Gross expenditure on cost of services is seen to be the most appropriate benchmark because stakeholders and residents are interested in the level of service expenditure incurred as this is considered public money largely arising from taxation. In addition, it is used to determine the provision of public services to local residents. A percentage of 1.50% was selected to apply to the benchmark based upon our risk assessment and the level we considered would be relevant to the users of the financial statements. This was adjusted to 1.46% in the final determination to achieve a rounded value of materiality. o Materiality for the current year is higher than the level that we determined for the year ended 31 March 2024 since we opted to increase the percentage applied to the benchmark from 1.35% to 1.50%. This change recognised 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 were identified in prior periods and there is stability in the Council's Senior Leadership Team in addition to some improvements in the Council's overall financial standing.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Performance materiality threshold	Performance materiality for the year has been set at **£12.8** million, which is **70%** of the Authority financial statement materiality. There has been no change to the value of performance materiality communicated in our Audit Plan.
Significant judgements made by auditor in determining the performance materiality	The determination of performance materiality involves the exercise of professional judgement. In determining performance materiality, we made the following significant judgements: Based upon our risk assessment and experience of auditing the financial statements of the Authority we have determined performance materiality to be 70% of financial statement materiality. This judgement was based on the

Materiality measure	Authority
	auditor not identifying any pervasive deficiencies or a higher-than-expected number of misstatements during the prior year's audit. In addition, there has been stability in core finance personnel and no complex accounting issues relevant to the 2024-25 accounting period.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Specific materiality	We determined a lower level of specific materiality for the senior officer remuneration disclosures in the financial statements have been identified as an area requiring a specific materiality due to its sensitive nature and heightened interest for local taxpayers. The **specific materiality** determined for **senior officer remuneration disclosures** is **£20,000**.
Communication of misstatements to the Corporate Governance and Audit Committee.	We determine a threshold for reporting unadjusted differences to the Corporate Governance and Audit Committee.
Threshold for communication	**£900,000** (which represents **5%** of headline materiality) and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality - Authority



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

E. Audit opinion

An overview of the scope of our audit

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

Understanding the Authority, its environment, including controls

The engagement team obtained an understanding of the Authority and its environment, including controls, and assessed the risks of material misstatement. We also performed an evaluation of the internal control environment, including evaluations controls in relation to the Authority's accounting system.

Work to be performed on financial information of the Authority (including how it addressed the key audit matters)

Our work comprised an audit of the Authority's single-entity financial statements. We identified the valuation of land and buildings including council dwellings, the valuation of investment property and the valuation of the defined benefit pension scheme net balance obligations to be key audit matters in respect of the Authority's financial statements. A summary of the procedures to address these are included below in addition to the information provided in the key audit matters section above.

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

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts;
- The Authority's valuation programme did not significantly influence the scope of the audit procedures for Council dwellings since the Authority followed its stated policy of revaluing its full Council Dwelling asset base (£835m at the year end). For other land & buildings, the audit work focussed on testing the valuation of the closing balance and as such the timing of valuations had limited influence on the sample selection;
- The other land & buildings balance was disaggregated prior to sample selection into assets of the same type e.g. schools, leisure centres etc. We selected a number of assets from any material asset sub-groups and conducted detailed work on valuation source data and the assumptions used. A similar approach was adopted for Council Dwellings to ensure that a range of dwelling sub-types formed part of the testing;
- The Authority's rolling triennial valuation programme did require additional audit procedures on assets not revalued. While a significant proportion of the Authority's other land and buildings were revalued (£258m out of £473m at the reporting date), this left a balance of £215m of assets at the reporting date that had not been valued for at least a year prior to the reporting date. Auditor challenge was therefore required to gain assurance that these assets were reasonably stated in the financial statements;
- The Authority's choice of valuation date of 31 January 2025 for other land and buildings and 31 March 2025 for council dwellings meant that specific audit procedures were necessary to evaluate whether the stated valuations were reasonable as at 31 March 2025. Given the level of materiality at £18.4m, against the value of assets subject to revaluation at the reporting date of £1.3bn, auditor challenge was required to gain assurance that the valuations were reasonably stated.

Evaluating the reasonableness of the valuation of Investment Property

- The engagement team obtained an understanding of the Authority's property portfolio holding at the reporting date, and the timing and extent of the valuation exercises to be performed by management's experts.
- The Authority's valuation programme did not significantly influence the scope of the audit procedures for Investment Property since the Authority followed its stated policy of revaluing its Investment Property holding annually (£81.5m at the reporting date) (with the exception of investment properties below £250k as mentioned above).
- Work was undertaken to obtain similar properties to Authority-owned properties that had been transacted on the open market in the last 1-2 years. These comparables were used to assess the relevance and accuracy of the assumptions adopted by management's expert valuer.

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

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

Performance of our audit

We evaluated certain relevant management controls over the financial processes linked to the significant audit risks. We evaluated general IT controls, the accounts production process and controls over critical accounting matters. We have performed a consideration of core processes such as general ledger system controls, journal entry controls, and cash. We undertook substantive testing on significant transactions, balances and disclosures, the extent of which was dependent on various factors including our assessment of the effectiveness of the control environment, the assessed inherent risk, and the design effectiveness of controls over individual processes and systems.

Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

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

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

E. Audit opinion

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Service Director Finance

As explained more fully in the Statement of Responsibilities and Certificate, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Service Director Finance. The Service Director Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view, and for such internal control as the Service Director Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government and Housing Act 1989 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).
- We enquired of management and the Corporate Governance and Audit Committee, concerning the Authority's policies and procedures relating to:
    - the identification, evaluation and compliance with laws and regulations;
    - the detection and response to the risks of fraud; and
    - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of management, internal audit and the Corporate Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and of the and the potential for fraud to occur in the recognition of revenue and expenditure. We rebutted the risks in respect of revenue and expenditure recognition. We determined that the principal risks were in relation to:
    - significant management judgements and estimates including the potential for management bias in determining accounting estimates;
    - journals entries posted by senior management;
    - manual journal entries made late in the year and during the financial statement preparation process which were crediting (reducing) non-pay expenditure and had an impact on the Comprehensive Income and Expenditure Statement (manipulation of deficit outturn); and
    - material journals across the year that are unusual in nature and outside our expectations.
- Our audit procedures involved:
    - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
    - journal entry testing, with a focus on unusual and high-risk journals made at the year-end accounts production stage, journals posted by senior management and journals impacting on the Authority's expenditure and improving the deficit reported;
    - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, and defined benefit pension net surplus valuations
    - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud through management override, and the significant accounting estimates related to land & buildings valuations and the valuation of the defined benefit pension scheme net balance. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

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

- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

E. Audit opinion

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Other matters which we are required to address

We were appointed by Public Sector Audit Appointments Limited in December 2017 to audit the financial statements for the year ending 31 March 2019. Our appointment was extended for a further five years in October 2022 following the PSAA procurement outcome. Our total uninterrupted period of engagement is seven years, covering the years ending 31 March 2019 to 31 March 2025.

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

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

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

The first weakness was first raised on 14 July 2023 in relation to the Authority's medium term financial planning arrangements, which risked depleting the Authority's reserves with inadequate savings schemes to balance the medium-term financial gap. Although the Authority has taken extensive action, demand pressures on the Authority in 2024-25 remain with the Authority incurring expenditure above the budgeted level. The Council reported a net £5.6m revenue overspend for 2024-25, funded from earmarked reserves. Despite a lower forecast overspend in 2025-26 compared to the three previous years, the Council continues to face significant financial pressures from increasing demand and costs. There is an estimated funding gap of £30.2m over the life of the Medium Term Financial Plan, and although the Council has made progress, it has yet to demonstrate that it is financially sustainable in the medium term, with overspending services and low reserve levels.

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

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

The second weakness was first raised on 24 November 2023 relates to the Dedicated Schools Grant (DSG) deficit, which we noted was off-track against the Safety-Valve agreement with the Department for Education (DfE). Although the Council is taking action to reduce spend and to implement mitigations, the DSG cumulative deficit is forecast to peak at £73.2m in 2025-26 and is projected to still be £56.3m at the end of the Council's Safety Valve Agreement in 2029-30. The Council is not on track with the target to eliminate the in-year deficit by this time, and is also off-track with the annual targets identified for each year within the Agreement.

Since the Council is off track in delivering a balanced position by the end of 2029-30, this potentially leaves the Authority exposed to having to accommodate ongoing costs in the budget in the future, or having to meet the cumulative deficit in future years if the statutory override is removed. Since the Authority is off track against delivering its Safety Valve commitments, there exists a risk that Safety Valve funding could be is paused or withdrawn giving rise to an adverse financial impact.

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

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

The Council has continued to progress improvement against the Notice, and has actions in place to close down issues identified (fire remedial actions, damp and mould case backlog, water quality testing). Regular reporting on progress has been considered by Cabinet in 2024-25, alongside regular communication with the Regulator. Although the Council can evidence improvement like water quality testing and assurance being 99.8% compliant and damp, mould and condensation reaching the 'Business as Usual' position by June 2025 and being maintained since, this continued to be a significant weakness in arrangements in 2024-25 as the Council's performance was not yet at a level where the Regulatory Notice could be removed.

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

- completing fire remedial actions resulting from fire assessments
- closing down the backlog of damp and mould cases
- completing water quality testing within all properties.

Responsibilities of the Authority

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

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

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

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

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

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

E. Audit opinion

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

We cannot formally conclude the audit and issue an audit certificate for Kirklees Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns including Whole of Government Accounts (WGA), and we have received confirmation from the National Audit Office that the audit of Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

In addition, there are two ongoing objections from electors (on the same issue) which we are working through at present. At the point that these objections are concluded, we can issue the audit certificate. We are satisfied that these objections do not have a material effect on the financial statements or value for money work for the year ended 31 March 2025.

Use of our report

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

[Signature**]**

Gareth Mills, Key Audit Partner

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

Leeds

XX February 2026