



Kirklees Council

Year ended: 31/03/2026

Inquiries of management and those charged with Governance

Purpose

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

Background

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

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

Communication

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

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

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

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

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

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

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

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

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

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

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

Update on recommendations

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

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

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

<p>expense associated with investing or financing cash flows. This is a fully permitted approach under the Code.</p> <p>There are several aspects to draw out from the working papers presented to us that we think can be enhanced/reviewed in 2025-26 to support the audit process and reduce the volume of queries shared with finance officers during audit fieldwork.</p> <ul style="list-style-type: none"> • The Council currently presents transfers between short- and long-term borrowings within the cash flow statement supporting workings. Since the line item is presented on a combined basis, it is our view that these movements in the working paper adversely impact the understandability of the underlying transactions presented and removing such movements would aid with understandability. • 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. 		
<p>5. Outlier data used in the calculation of the annual leave accrual</p> <p>The calculation of the year end accrued leave creditor in 2023-24 was based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative & owed to the Council) and the highest at 315 days accrued. The average was 11 days but the middle value (median) was almost half of</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>

<p>that at just below 6 days. This gave rise to some estimation uncertainty in the calculation of the accrual albeit this was not deemed material.</p> <p>We recommended that a data collection exercise take place in the remaining months of the financial year and any outliers are appropriately challenged by management.</p>		
<p>6. Employee Handbook – Document Out of Date</p> <p>Our review of the Employee Handbook, that sets out the terms and conditions of employee service, highlighted that this was last updated October 2015. This is a key document and around 9 years since its last update, there may have been changes in the working environment, one of these may be the Council’s protocols in respect of hybrid and remote working.</p> <p>We recommended that this Employee Handbook document be updated to capture changes in the working environment and the Council’s working practices and policies. We suggested that this be completed within the next six months (targeting mid-2025).</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>
<p>7. Maintaining up to date knowledge of the Council’s buildings estate</p> <p>Our audit work identified examples where changes to the function, internal floors areas of buildings within the Council’s buildings portfolio including one school that has been taken out of service, and these changes in estate have not been notified to the finance function or management’s external expert valuer. These cases identified that decisions appear to have been taken by the service but the relevant information and likely impact on the buildings portfolio, has not flowed to the capital finance team to be considered and reflected as appropriate in the annual accounts.</p> <p>We recommended that management build in additional communication between each relevant service, estates, the capital finance team and the external valuer. This is to include identifying key changes to buildings such as closure / decommissioning, a significant change in opening hours, repurposing and marketing a building for sale.</p>	<p>External audit update 2024-25:</p> <p>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.</p> <p>However, we have continued to encounter issues with the accuracy of gross internal areas used in the valuation, so this recommendation does not appear to have been fully addressed. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>
<p>8. Additions posted in quarter 4 (post valuation) for other land & buildings and council dwellings</p> <p>Under existing arrangements, all capital spend posted as capital additions is currently accounted for by the Council as value enhancing,</p>	<p>No action recorded against this recommendation raised in the prior period. This recommendation will remain open and we shall comment on this further in 2025-26.</p>	<p>No further update since the report to CGAC on 31 January.</p>

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

Appendix A – Accounting Estimates

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

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

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