

The Audit Plan for Kirklees Council 2025-26

Year ending 31 March 2026

13 April 2026

Contents

Section	Page
1. The backstop	3
2. Introduction and headlines	4
3. Risks identified and Other matters	6
4. Our approach to materiality	13
5. Progress against prior year recommendations	15
6. IT audit strategy	23
7. Interim audit work	24
8. Value for money arrangements	25
9. Logistics	29
10. Our team and communications	30
11. Fees and related matters	31
12. Independence considerations	33
13. Communication of audit matters with those charged with governance	39
14. Financial reporting changes	41
15. Appendix – Letter to Chair of Corporate Governance and Audit Committee	42



1. The Backstop

The Future of the Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support 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.

Impact on Kirklees Council and our response

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

In order to meet future statutory deadlines, for 2025-26 we will be working towards an internal deadline of 30 November 2026, as a dry run for future years when the backstop date moves to the end of November from 2027.

We have discussed our plans for the 2025-26 audit and accounts work with your Service Director Finance and Head of Accountancy and we are on with developing a detailed project plan for the audit fieldwork period scheduled from the beginning of July through to early November.

We are aiming for our audit work to be operationally complete by the end of October. Our key outputs and reports being drafted and agreed with management in the first half of November prior to our Audit Findings (ISA260) report on the accounts and our Auditor's Annual Report on the Council's value for money arrangements being presented to Corporate Governance and Audit Committee on 27 November 2026.

As detailed on page 29 of this report (audit timeline) we shall ensure that weekly meetings are scheduled for the audit fieldwork period and we shall be sharing a audit progress tracking document with management on a weekly basis to ensure that continued and even progress is being made from July through the summer months to late October. This is in order to ensure that we are on track to conclude the audit and issue our audit opinion in the days following Corporate Governance and Audit Committee on 27 November 2026. We shall issue a detailed progress report to Corporate Governance and Audit Committee at its meeting on 27 September 2026.

2. Introduction and headlines

Purpose

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

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body.

Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council. We draw your attention to these documents.

Scope of our Audit

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

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

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

Audit logistics

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

Our proposed fee for the audit is £475,983 (PY: £478,400) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested. We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Introduction and headlines (continued)

Significant risks

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

- Management override of control
- Closing valuation of land and buildings, including Council dwellings
- Valuation of local government pension scheme defined benefit pension fund net balance

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

Materiality

We have determined planning materiality to be £19.4m (PY £18.4m) for the Council, which equates to 1.5% of your prior year gross expenditure on the surplus/deficit on the provision of services (prior year 1.5%).

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Our 'clearly trivial' reporting threshold for issues to be brought to the Corporate Governance and Audit Committee's attention has been set at £0.94m (PY: £0.81m).

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

Value for Money arrangements

Our 2024-25 Auditor's Annual Report identified three significant weaknesses and three improvement recommendations. Our 2025-26 risk assessment regarding your arrangements to secure value for money has identified three ongoing risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness. These were identified as a result of the three significant weaknesses in arrangements reported in our 2024-25 Auditor's Annual Report.


- The first significant weakness was in respect of the Council's financial sustainability given the Council had continued to overspend on its general fund revenue budget and 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.
- The second significant weakness was in respect of the Council's Dedicated Schools Grant deficit. The Council was off track in delivering its planned reduction in the accumulated deficit and eliminating the cumulative deficit by the end of 2029-30 financial year. We note that on 9 February 2026, the UK government announced its intention to fund 90% of councils' cumulative Dedicated Schools Grant (DSG) deficits taken as at 31 March 2026. We shall consider the impact of this announcement in making our assessment of arrangements in place during 2025-26.
- The third significant weakness was in arrangements in relation to the Council's social housing compliance with the Social Housing Regulator standards, specifically in respect of water quality testing, rectifying cases of damp and mould and complying with fire safety legislation.

We will follow up progress against the key recommendations made in 2024-25 and ensure that our work assesses the arrangements in place during 2025-26. See page 26 and 27 for further detail of our value for money risk assessment in the current year.

3. Significant risks identified

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

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



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

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

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
Closing valuation of land and buildings, including Council dwellings	<p>Land and buildings: The Council re-values its land and buildings on a rolling three-yearly basis in line with the Code requirements.</p> <p>This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £473m at 31 March 2025) and the sensitivity of this estimate to changes in key assumptions.</p> <p>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.</p> <p>The valuation of land and buildings and council dwellings involves subjectivity and a significant degree of judgement and estimation by management. This is due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>The closing valuation of land and buildings and council dwellings was identified as a significant risk, and one of the most significant assessed risks of material misstatement.</p>	<p>The Council holds both specialised and non-specialised buildings. The specialised assets comprise schools and leisure centres among others. The valuation approach is depreciated replacement cost (DRC) with the key valuation assumptions being the rebuild cost, building size and adjustments for obsolescence (buildings age, condition & functionality). The Council also holds non-specialised assets such as car parks and offices. These valuations may be undertaken with reference to observable open market values for similar land & buildings or using a capitalisation of income approach. Council dwellings are also considered non-specialised. For dwellings, the beacon methodology is applied which identifies a value based on market comparables, which is then applied to similar properties.</p> <p>For the first time in 2025-26, the Code now requires indexation in the intervening years between revaluations. The Council will be adopting this for the first time this year, and applying indexation to land and buildings not subject to a full revaluation during the financial year.</p> <p>In response to this risk we will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls around processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding• engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation• test, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied itself that their carrying values are not materially different to current value at year end

(continued overleaf)

Significant risks identified (continued)

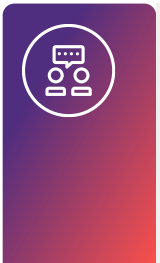
Significant risk	Planned audit procedures
Closing valuation of land and buildings, including Council dwellings (continued)	<ul style="list-style-type: none">• agree, on a sample basis, the internal floor areas (GIAs) to the Council's K2 property asset management software and AutoCAD building measurement software• for non-specialised properties valued on the existing use value (EUUV) basis, obtain market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations• for council dwellings, valued using the beacon methodology, obtain comparables from online sold property websites and assess the valuation of the beacon property against the sale prices of comparable residential properties. Similarly, we will assess the appropriateness of adjustments for additional bedrooms with reference to comparable houses shown on sold property websites.• assess the Council's application of indexation to land and buildings not subject to a full valuation in 2025-26 in terms of the selection of an appropriate and relevant index for the specific land and buildings and the accurate application and calculation of the indexed valuation.

Significant risks identified (continued)

Significant risk	Audit team's assessment	Planned audit procedures
<p>Valuation of the local government pension scheme (LGPS) defined benefit pension fund net balance (£nil at 31 March 2025)</p>	<p>The Council's LGPS pension fund net balance, as reflected in its balance sheet, represents a significant estimate in the financial statements.</p> <p>The pension fund net balance is considered a significant estimate in the financial statements due to the size of the numbers involved to arrive at that net balance (gross asset of £2.5bn and liability of £1.9bn in 2025) and the sensitivity of the estimate to changes in key assumptions.</p> <p>In 2025, the Council identified a net LGPS pension surplus totalling £0.6bn that was capped at £nil in the financial statements under the principles of IFRIC 14. Gross assets were reduced by £0.6bn to reach the £nil balance sheet position.</p> <p>There is an additional net pension liability of £47.5m (at March 2025) which reflects the Council's obligations in respect of unfunded liabilities, for which there are no pension assets to offset. We have not identified the unfunded liabilities of £47.5m as being within the scope of the significant risk.</p> <p>A key aspect of our work planned is to consider whether this LGPS pension fund net surplus position remains supported by fund-level assumptions and market-based factors.</p> <p>We therefore identified the valuation of the Council's LGPS pension fund net balance as a significant risk of material misstatement.</p>	<p>In response to this risk we will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net balance is not materially misstated and evaluate the design of the fund assets valuation in the pension fund financial statements and associated controls • evaluate the instructions issued by management to their management expert (consulting actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the net LGPS pension balance • test the consistency of the pension fund figures and disclosures in the draft financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of the West Yorkshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund • evaluate the appropriateness (as applicable) of recognising a pension asset position against the Code and IFRIC 14 criteria • assess the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenge management on the validity and appropriateness of the assumptions used in the calculation including the existence of a minimum funding requirement, the future lifetime of the scheme (in years) and the level of future funding contributions (as a % of payroll costs) • confirm that pension fund asset valuations were based on a 31 March 2026 valuation date • review the accounting for any unfunded liability element of LGPS, including where this has been offset against the net funded LGPS balance.

Risks rebutted

Significant risk	Audit team's assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including the Council mean that all forms of fraud are seen as unacceptable. <p>Therefore, we have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams due to the low fraud risk in the nature of the underlying transactions.</p>	<p>Whilst the risk has been rebutted and we do not consider revenue recognition to be a significant risk for the Council, we shall perform standard audit procedures on this material stream of transactions. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate up to the time of concluding the audit.</p> <p>In respect of income recognised (risk rebutted) we will:</p> <ul style="list-style-type: none"> • Evaluate the Council's accounting policy for recognition of income for appropriateness and compliance with the Code. • For grant income, we sample tested items for supporting evidence and checked the appropriateness of the accounting treatment in line with the CIPFA Code, including the treatment of credited to services and recognition as non-ringfenced other grant income. Testing will also give regard to the treatment of grant income as principal or agent. • For income raised from council tax and non-domestic rates, which are of a predictable nature, we have performed substantive analytical based on the number and value of rateable properties, applying any annual increases to rates as appropriate. • Agree, on a sample basis, income transactions and year end income accruals to supporting documentation and cash receipts to evidence the occurrence of these transactions. • We will carry out testing on sample basis of invoices raised and bank receipts either side of the reporting date of 31 March 2026 to determine whether income is recognised in the correct accounting period.



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

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

Risks rebutted (continued)

Significant risk

The expenditure cycle includes fraudulent transactions (rebutted)

Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition.

As per PN10, fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

As a result under PN10, there is a requirement on auditors to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

Audit team's assessment

We considered the risk that expenditure may be misstated due to the improper recognition of expenditure. We have rebutted this for all expenditure streams because:

- the Council is expected to have £62m of general fund reserves at 31 March 2026, based on the quarter 3 forecast and assuming a balanced outturn position. Unearmarked general fund reserves are expected to be £25m, which represents 6.3% of the 2025-26 net revenue budget (£396m). This exceeds the broad 5% target in the LG sector and as such the availability of reserves to fund the Council's expenditure does not indicate excessive pressures at the Council.
- there is little incentive to manipulate expenditure for the Council where services are provided to the public through taxpayers' funds.
- the Council requires cash to meet its payroll and third-party payment obligations and therefore any manipulation of expenditure between accounting periods does not generate any clear financial benefits.
- the Council has a number of contracted key suppliers with whom frequent recurrent transactions are made, which are followed by timely payments, usually within 30 days of receipt of goods. As such, regular bank payments are required to suppliers, which reduces any opportunity to exclude expenditure transactions from being reported in the general ledger.
- whilst budget pressures have been identified in respect of adult social care, children's residential placements and home to school transport, direct payments are made to external suppliers on either a weekly or monthly basis. Therefore, there is little opportunity for the Council to exclude this expenditure from the general ledger based on the bank reconciliation procedure and predictability of these expenditure streams over a financial year.
- the Council has clear and transparent reporting of its financial plans and financial position, including regular reporting of budget variance analysis to its Senior Management Team, the Cabinet and Corporate Governance and Audit Committee.

We also considered the risk of fraudulent expenditure recognition in relation to capital expenditure and concluded that it is not a significant risk. We have considered the material risk of improper expenditure and we have identified a risk in relation to completeness of operating expenditure, however, we do not consider this to be a significant risk of material misstatement at this time.

Planned audit procedures

Whilst the risk has been rebutted and we do not consider expenditure recognition to be a significant risk for the Council, we shall perform standard audit procedures on this material stream of transactions. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate up to the time of concluding the audit.

In respect of expenditure recognised (risk rebutted) we will:

- Evaluate the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code.
- Update our understanding of the system for accounting for the expenditure and procedures to ensure the completeness of expenditure recorded in the financial year.
- Undertake a detailed substantive analytical procedure on pay expenditure, including checking that changes in gross pay year on year are supported by underlying data including enacted pay awards and movements in workforce numbers.
- Agree, on a sample basis, non-pay expenditure to supporting evidence to demonstrate occurrence and accuracy of expenditure recorded.
- Inspect a sample for year end accrued expenditure not yet invoiced to assess whether the value of the accrual was consistent with the value invoiced post year end.
- Complete substantive testing of expenditure streams in 2025-26 including sample testing material transactions.
- Design and carry out appropriate audit procedures to ascertain that recognition of expenditure is in the correct accounting period, for example, using cut off testing, focusing either side of the reporting date of 31 March 2026.

Other matters

Other work

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

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

Other material balances and transactions

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



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

(ISA (UK) 315)

4. Our approach to materiality

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

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.

Materiality at the planning stage of our audit is £19.4m, which equates to 1.5% of your prior year (2024-25) gross expenditure on the deficit on the provision of services (prior year: £18.4m).

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature where it may affect instances when greater precision is required.

Matters we will report to the Corporate Governance and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes
- assist in evaluating the effect of known and likely misstatements in the financial statements.

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.

We report to the Corporate Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.94m (PY £0.81m).

If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance and Audit Committee to assist it in fulfilling its governance responsibilities.

Our approach to materiality (continued)

Description	Amount	Qualitative factors considered
Materiality for the Council's financial statements	£19.4m	This equates to 1.5% of the Council's gross expenditure on the deficit on the provision of services for 2024-25 based on the audited statement of accounts for the year then ended (£1.27bn). Our overall risk assessment at the planning stage supports the 1.5% benchmark applied. In the materiality determination, we adjusted for non-recurrent items of expenditure including losses on disposal, and revaluation losses on assets held for sale and following initial recognition of IFRS16 – taken together these reduced expenditure by £30.8m.
Performance Materiality (PM)	£13.58m	The performance materiality has been set at 70% of financial statement materiality, consistent with the measurement percentage used in the prior period. This reflects our risk assessed knowledge of potential for errors occurring. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
Trivial Matters	£0.94m	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements. This equates to 5% of headline materiality. We will report all misstatements identified in excess of £940k to Corporate Governance and Audit Committee.
Materiality for specific transactions, balances or disclosures	£20k	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures to this work and set a lower materiality level for this area. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We evaluate errors in the remuneration report for both quantitative and qualitative factors against this lower level of materiality. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors exceed the threshold we have set or would alter the bandings reported for any individual.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process. We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will reconsider our materiality level upon receipt of the Council's draft 2025-26 financial statements which are expected at the end of June 2026.



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

5. Progress against prior year audit recommendations

We identified the following issues in our 2024-25 audit of the Council's financial statements, which resulted in four recommendations being reported in our 2024-25 Audit Findings (ISA260) Report and a further eight being brought forward from 2023-24. We have followed up on the implementation of our recommendations as part of our audit planning work in 2025-26 and an update against each of the recommendations raised has been included below. We shall provide a further update on these prior year audit recommendations in our Audit Findings (ISA260) report due November 2026.

Original Assessment Issue and risk previously communicated

Update on actions taken to address the issue(s)

●
Medium

Costing of internal repairs & maintenance, and capital works

Our work in the prior year 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 was being inflated by this inflation factor to calculate the job costings utilised in the 2024-25 financial year. This was 1.27 for this financial year and affected internal capital works that were capitalised by the Council.

We recommended 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 (January 2026):

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.

●
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 in 2024-25 highlighted that whilst the Council has accounted for an impairment allowance on short-term debtor balances as per the requirements of the Code, we encountered some difficulties in identifying the relevant working papers for the balances on the TB.

We recommended that the Council considered 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 recommended 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 (January 2026):

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.

Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
● Medium	<p>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)</p> <p>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. At March 2025, 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. We recommended Management confirm and report its proposed approach to charging MRP on capital loans in 2025-26 and beyond.</p>	<p>Management response (January 2026):</p> <p><i>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.</i></p> <p>Auditor update (April 2026):</p> <p>We acknowledge management's response from January 2026 which makes clear the Council's interpretation of the requirements of the revised statutory guidance. We shall consider whether this interpretation aligns with our own and should we have any queries, we shall raised these with management in the early part of our audit fieldwork commencing July 2026.</p>

Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
<p>● High</p>	<p>Integrity, accuracy and understandability of working papers to support the Council's cash flow statement</p> <p>In the prior year, we reported that 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. We also reported that working papers presented to us could 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> <p>We recommended that the Council consider removing the transfers between short- and long-term borrowings from its cashflow working papers since these transfers do not impact on cash and the Council also consider presenting actual cash-based transactions alongside its existing workings to demonstrate how the workings reconcile with cash based transactions that took place during the year. We recommended that the Council undertake some work to simplify and improve the clarity of this working paper to aid with its overall understandability and aid a more efficient audit of the cash flow statement in 2025-26.</p>	<p>Management update (January 2026):</p> <p><i>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.</i></p>
<p>● Medium</p>	<p>Outlier data used in the calculation of the annual leave accrual</p> <p>The calculation of the year end accrued leave creditor in 2023-24 was based on the number of days of annual leave accrued to carry forward multiplied by officers' pay per day. Our work highlighted a large range of days leave accrued with the lowest balance of accrued time at 60 days (negative & owed to the Council) and the highest at 315 days accrued. The average was 11 days but the middle value (median) was almost half of that at just below 6 days. This gave rise to some estimation uncertainty in the calculation of the accrual albeit this was not deemed material.</p> <p>We recommended that a data collection exercise take place in the remaining months of the financial year and any outliers are appropriately challenged by management.</p>	<p>Management update (January 2026):</p> <p><i>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.</i></p>

Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
● Low	<p>Employee Handbook – Document Out of Date</p> <p>Our review of the Employee Handbook, that sets out the terms and conditions of employee service, highlighted that this was last updated October 2015. This is a key document and around 9 years since its last update, there may have been changes in the working environment, one of these may be the Council’s protocols in respect of hybrid and remote working.</p> <p>We recommended that this Employee Handbook document be updated to capture changes in the working environment and the Council’s working practices and policies. We suggested that this be completed within the next six months (targeting mid-2025).</p>	<p>Management update (January 2026):</p> <p><i>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.</i></p>

Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
● Medium	<p>Adult Social Care – Client Contributions – accurate recording in general ledger</p> <p>Our work on testing fees and charges – adult social care client contributions identified a sample with an annual contribution value in the general ledger did not agree to the individual’s financial assessment used to determine the annual client contribution. Whilst the client had been correctly invoiced as per their financial assessment and this did not give rise to a material issue in the annual accounts, we noted that the Council should ensure that transactions are accurately reflected in its general ledger.</p> <p>We recommended that work continue to develop a direct interface between the Mosaic system (adult social care subsystem) and general ledger to prevent such errors from occurring in the future. We also recommended that service accountants conduct an additional reconciliation/review procedure during 2025 closedown to identify any errors prior to draft accounts being produced.</p>	<p>Management update (January 2026):</p> <p><i>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.</i></p>
● Medium	<p>Investment Property – Ensuring Code compliance in respect of the requirement for and annual revaluation of the whole asset class</p> <p>Investment properties are required to be revalued annually in accordance with the CIPFA Code. At 31 March 2024, there were investment properties totalling £9.3m 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.</p> <p>The value of this sub-£250k population currently excluded from the Code requirement for an annual valuation has risen in recent years towards our audit performance materiality threshold of £12.8m. Given the continued increases, we reported that there is a risk that the Council does not comply with CIPFA Code requirements, to a material extent, which could impact on the auditor’s opinion in future periods.</p> <p>We recommended that Management consider how its current approach could be adapted to fully satisfy and be compliant with requirements of the Code.</p>	<p>Management update (January 2026):</p> <p><i>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.</i></p>

Progress against prior year audit recommendations (continued)

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

Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
● Medium	<p>Maintaining up to date gross internal area records of the Council’s buildings estate</p> <p>Our audit work (sample testing) identified examples where internal floors areas of buildings within the Council’s buildings portfolio did not reconcile between the external expert valuer’ workings, the Council’s K2 property management system and the electronic CAD floorplans for the building. The gross internal area of a building is deemed a key assumption for the valuation of a specialised building valued on a depreciated replacement cost (DRC) basis.</p> <p>Our testing of gross internal areas data in 2024-25 continued to indicate variances between the valuation reports and the underlying data. We recommended that the Council undertake further work ahead of the 2025-26 valuations cycle to resolve and clear any variances between sources of underlying data so that the Council is assured that any source data provided to their expert valuer in 2025-26 is accurate.</p>	<p>Management update (January 2026)</p> <p><i>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.</i></p> <p><i>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.</i></p>
● Medium	<p>Inclusion of appropriate detail in the Narrative Report to ensure compliance with CIPFA Code of Practice</p> <p>Our review of the prior year Narrative Report highlighted a number of areas where we consider additional detail could be added in order to more clearly satisfy the requirements of the CIPFA Code.</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>Management update (January 2026):</p> <p><i>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.</i></p>

Progress against prior year audit recommendations (continued)

Original Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
● Medium	<p>Additions posted in quarter 4 (post valuation) for other land & buildings and council dwellings</p> <p>Under existing arrangements, all capital spend posted as capital additions is currently accounted for by the Council as value enhancing, and therefore it does not give rise to any immediate impairment of the spend capitalised. For spend capitalised in quarters 1 through to 3, the Council's valuers are able to undertake an assessment as at the valuation reference date of 31 December whether capital spend is value enhancing or non-enhancing. This judgement either support the new carrying value or impairs the asset down to its pre-capital addition carrying value. However, for capital spend posted in quarter 4, current arrangements do not afford the expert valuer an opportunity to assess whether amounts capitalised should increase the net book value or alternatively, be capitalised and impaired concurrently.</p> <p>We reported that the capital accounting function should consider how current processes can be enhanced to appropriately identify non value enhancing capital spend posted in quarter 4 of the financial year, and for this to be impaired so that the 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>Management update (January 2026):</p> <p><i>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.</i></p>

6. IT audit strategy

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

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.

Based on the planned financial statement audit approach we will perform the level of assessment required, which are set out in the table below. We will keep this under review as the audit progresses and update our understanding if there are additional IT systems within the scope of the audit.

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

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

7. Interim Audit Work

Details of work to be conducted at interim:

The backstop date is moving earlier in the year, as a result and to ensure that all work can be completed by this date, we will be using an interim visit as a key part of the audit approach. Interim visits should be treated with the same importance as final accounts and will include regular catch-ups between management and the audit team to facilitate this work. An indicative plan of the areas that we would cover at interim is set out below. This has been discussed with management prior to the issue of this Audit Plan.

Description	Work commentary
Review of prior year recommendations	We will perform a review of the Council's progress against audit recommendations we have raised in the prior year.
Payroll	We will: <ul style="list-style-type: none">• Select a sample of starters, leavers and change of circumstances• review monthly payroll reports up to month 11.
Property, Plant and Equipment – Existence Testing	We will perform existence testing based on the opening balances for PPE and obtain photographs and title deeds, as appropriate, to obtain assurance that the existence assertion has been satisfied.
Advance testing areas	We will select samples for advance testing using transactions covering the period from month 1 to 11 on: <ul style="list-style-type: none">• fees and charges• grant income• operating expenditure• capital commitments (year end position)• business rates and council tax reliefs for months 1-10
Validating information provided by the entity (IPE)	We shall verify the parameters used by the Authority to extract the following data and observe this data being shared with audit to obtain assurances over the accuracy and completeness of data provided: <ul style="list-style-type: none">• payroll listings which underpin the remuneration disclosure notes to the financial statements• council dwellings rental income listings and stock numbers exported from the Civica Cx Housing Management system
Council preparations for the indexation of land and building valuations	We will inquire / perform a review of the Council's approach to land and buildings valuations and implementation of indexation within the revaluation cycle.

8. Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This deadline has been set at November 2026, and we envisage that this can be met and our 2025-26 Auditor's Annual Report presented to your Corporate Governance and Audit Committee at its November 2026 committee meeting. The three specified reporting criteria are set out below:

Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Initial Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025-26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2024-25 Assessment of arrangements	2025-26 Risk assessment	2025-26 risk-based procedures planned
Financial sustainability	R Two continuing significant weaknesses in arrangements identified in respect of the Council's financial position and DSG deficit were identified, and two key recommendations retained.	Two ongoing risks of significant weakness identified based on the two significant weaknesses identified and reported in the prior year. Risks of significant weakness at the planning stage include: <ul style="list-style-type: none"> Financial sustainability (controlling expenditure, delivering savings and sustaining reserves balances) Addressing the DSG deficit position. 	We will follow up progress against the key recommendations made and ensure that our work assesses the arrangements in place during 2025-26. For Financial sustainability, we will consider: <ul style="list-style-type: none"> how the Council is addressing the key recommendation raised in 2024-25 the year end position, including general fund outturn, reserves and delivery of savings plans the extent of the challenge as set out in its MTFS. For DSG, we will consider: <ul style="list-style-type: none"> the action taken in response to our key recommendation raised in 2024-25 the year-end DSG deficit position what additional mitigation actions are planned and the current position with the Department for Education and the safety valve programme. We note that on 9 February 2026, the UK government announced its intention to fund 90% of councils' cumulative Dedicated Schools Grant (DSG) deficits taken as at 31 March 2026. We shall consider the impact of this announcement in making our assessment of arrangements in place during 2025-26.

Risks of significant weakness in VFM arrangements (continued)

Criteria	2024-25 Assessment of arrangements	2025-26 Risk assessment	2025-26 risk-based procedures planned
Governance	A No significant weaknesses identified; one improvement recommendation has been updated on waiver reporting and one improvement recommendation raised to support reporting and monitoring of the Council's capital programme.	No risks of significant weakness identified.	As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up on the improvement recommendation made in 2024-25.
Improving economy, efficiency and effectiveness	R One continuing significant weakness identified on the Council's housing compliance, resulting in a key recommendation being retained and updated. An improvement recommendation is retained on data quality, and a new improvement recommendation is raised on implementing improvement following the 2025 Local Area SEND Inspection.	One ongoing risk of significant weakness identified based on the significant weaknesses identified and reported in the prior year. Risk of significant weakness at the planning stage includes: <ul style="list-style-type: none"> • Arrangements in place in relation to the Council's social housing compliance with the Social Housing Regulator standards. 	We will follow up progress against the key recommendation and improvement recommendations made and ensure that our work assesses the arrangements in place during 2025-26. We will consider: <ul style="list-style-type: none"> • how the Council is addressing the key recommendation raised in 2024-25 • the actions taken to improve social housing in line with agreed action plans • any discussions or responses from the Social Housing Regulator.

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendation(s) made.

R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Risks of significant VFM weaknesses

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

Potential types of recommendations



Statutory recommendation

Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council 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 Council. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

9. Logistics

The audit timeline

Audit phases & key dates:



Key elements

- Debrief with management on the prior year accounts audit and adopting a more compressed audit timetable in 25/26
- Audit scoping and risk assessment to be completed
- Completion of system walkthroughs and document design effectiveness of relevant controls
- Discuss and agree timetable and deliverables with management
- Review of key judgements and estimates
- Select samples for advance audit testing and share with management
- Issue the Audit Plan to management and Corporate Governance and Audit Committee

Key elements

- Audit team to complete fieldwork and detailed testing - using a hybrid approach (on-site and remote)
- Audit of the financial statements
- Weekly update meetings with management to help ensure progress and identify issues as they arise.
- Progress tracker to be shared with management weekly
- Value for money team to undertake enquires, collate evidence and draft their assessment on Council's arrangements

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 and reported to Corporate Governance and Audit Committee
- Finalise and sign financial statements and audit report before the end of November 2026

10. Our team and communications

Grant Thornton core team

Gareth Mills

Engagement Lead & Key Audit Partner

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

Greg Charnley

Audit Senior Manager

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

Aanchal Singla

Audit Assistant Manager

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

Ginette Beal

VFM Audit Manager

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

Pool of specialists and other technical specialists:

- Internal IT audit team
- Internal property valuations team.

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

11. Our fee estimate

Our fee estimate

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

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Closing valuation of land and buildings, including council dwellings and investment properties
 - Valuation of Local Government Pension Scheme defined benefit net pension balance.

Previous year

In 2024-25 the scale fee set by PSAA was £473,400. The actual fee charged for the audit was £478,400. At the time of drafting this Audit Plan, the £5k fee variation for the IFRS 16 implementation review remains subject to PSAA agreement.

	Audit Fee for 2024-25	Proposed fee for 2025-26
Kirklees Council Scale Fee (per PSAA contract)	£473,400	£475,983
IFRS 16 implementation review (first year adoption of the new accounting standard)	£5,000	-
Total (Exc. VAT)	£478,400	£475,983

Our fee estimate (continued)

Relevant professional standards

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

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023-24. The scale fee set out in the PSAA contract for the 2025-26 audit is £475,893.

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

- Production of the final Auditor's Annual Report on VFM arrangements for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft Audit Plan report to the Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed.

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

Updated Auditing Standards

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

12. 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 2024 issued by the UK Financial Reporting Council (the “FRC Ethical Standard” or “The Standard”).

We have determined that Kirklees Council is a public interest entity and therefore the relevant requirements of the FRC Ethical Standard have been applied and have been included in this letter. Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers).

All the above referenced Standards require that we communicate at least annually with you regarding all relationships between Grant Thornton UK LLP in the UK (“Grant Thornton UK”) and other Grant Thornton firms and associated entities (“Grant Thornton”) and covered persons (as defined in the FRC Ethical Standard) and the Council, its senior leadership and senior management and its affiliates (“the Authority”) that, in our professional judgement, may reasonably be thought to bear on our integrity, independence and objectivity. In this context, we confirm there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard. We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view.

The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements. Furthermore, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Independence considerations (continued)

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

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

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 (ES4.15). 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.

External audit fee	Total fees for grants assurance services	Grants assurance service fees as a percentage of the audit fee
£475,983	£61,038	12.8%

Fees and non-audit services

The following tables set out non-audit services charged from the beginning of the financial year to the date of issue of this Audit Plan, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The non-audit services listed below are overleaf are consistent with the Council’s policy on the allotment of non-audit work to your auditor and none of the below services were provided on a contingent fee basis.

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

Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits claim 2024-25	35,058 (base fee)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the base fee for this work is £35,058 in comparison to the total fee for the audit of £475,983 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.

Fees and non-audit services (continued)

Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of the Pooling of Housing Capital receipts 25-26	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 £475,983 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared any elements of the submission and are carrying out work on the information submitted to MHCLG by the Council. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to MHCLG)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by MHCLG and on its completion issue a report of factual findings. The local authority and MHCLG form their own conclusions on the report. The report is restricted to those parties who have agreed to the procedures to be performed (being the local authority and MHCLG).

Fees and non-audit services (continued)

Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Teachers' Pensions return 25-26	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 £475,983 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to Teachers' Pensions)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the assignment in line with the Reporting Accountant Guidance issued by Teachers' Pensions and on its completion issue a report of factual findings. We will agree any amendments and factual findings with the Council's Responsible Finance Officer, and are required by the Guidance to obtain representations from the Employer in respect of our factual findings and include these in our report. The Council's finance managers will make their own decisions whether to amend for any errors identified as part of our testing or to make representations to Teachers' Pensions.

Fees and non-audit services (continued)

Grants Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Initial Teacher Training grant 24-25	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 £475,983 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	The external auditor has not prepared the form which is to be reviewed as part of the grant certification. We do not expect material misstatements to the financial statements to arise from this service. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
		Management (because our report will inform the findings presented by management to the Department for Education)	The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by Department for Education and on its completion issue a report of factual findings. We will discuss any amendments and factual findings with the Council's Responsible Finance Officer as a member of informed management. The Council's finance managers will make their own decisions whether to amend for any errors identified and the local authority and the DfE form their own conclusions on the report.

We will update our Audit Findings (ISA260) report due November 2026 for any additional grant assurance services that commence subsequent to the date of this Audit Plan.

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

13. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity of the firm and senior engagement team members	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern including support measures when making the going concern assessment	●	●

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

Communication of audit matters with those charged with governance (continued)

Our communication plan	Audit Plan	Audit Findings
Key audit partners involved in the audit		●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Methodology used to perform the current year's audit and details of any substantial variation between system and compliance testing from the previous year		●
Quantitative level of materiality determined and qualitative factors considers in its determination		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit and whether that deficiency has been resolved by management		●
Significant matters arising in connection with related parties		●

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

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings (ISA260) Report will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

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

Respective responsibilities

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

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

14. Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025-26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for 2026-27.

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for 2026-27.

IFRS 18 Presentation and Disclosure in the Financial Statements

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

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

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

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from 2027-28.

Appendix – Letter to Chair of Corporate Governance and Audit Committee

Letter regarding 2025-26 audit timelines

4 March 2026

Dear Cllr Taylor

Copied to: Kevin Mulvaney S151 Officer

Proposals for the annual accounts and external audit timeframes from 2026 onwards

Ahead of us starting our work on your 2025-26 Accounts, we wanted to send you a letter to set out our plans for your audit timelines over the course of the next two years and what we will need from you as an Authority as part of these plans.

As I am sure you are aware, 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; and
- For years ended 31 March 2027 by 30 November 2027.

The statutory instrument is supported by the National Audit Office's (NAO) 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.

As you know, Kirklees Council has always received a full, unqualified 'clean' audit opinion prior to any backstop dates. Whilst this places the Council in a good place compared to a number of local authorities who are dealing with backstopped, disclaimed opinions, the audit has been completed in the January / February period in recent years. It will be important that the Council works together with us to bring forward completion of the audit.

To be able to achieve the targets for the next two financial years, as a firm we are looking to put things in place to enable us to achieve the end of November 2027 deadline. In order to help make this achievable, we are going to undertake a 'dry run' of finishing our work on the 2025-26 Accounts by the end of November 2026. We would note that the NAO has already set a requirement that our Value for Money (VfM) work is completed by 30 November each year which has been set to align with the upcoming 30 November accounts deadline.

One area which we see as crucial to supporting a November completion date is to make increased use of our planning and interim audit work. We are seeking to perform an enhanced interim audit involving early, advanced sample testing on a number of areas by the end of April 2026. We will be liaising with the finance team to support audit testing of transactions in the first nine to ten months of the financial year. This should reduce the level of detailed transactional testing from the year-end audit work in the Summer and Autumn.

(cont.)

Letter regarding 2025-26 audit timelines (cont.)

We are aiming to start our work on your accounts from the end of June 2026, following receipt of the Council's draft accounts. We are committed to working closely with finance colleagues from the commencement of our audit and throughout, with weekly meetings expected to take place to monitor progress and achievement against key milestones, through to November's Audit Committee.

This plan should allow us as a firm to deliver all of our 2025-26 Local Government audits by the end of November 2026, which will then put us in a strong position ahead of the backstop formally moving to the end of November 2027. We appreciate this will require a change on how both sides will need to work to make this a reality, but we are committed to making this happen.

We have undertaken early engagement with your finance team to clearly set out our expectations and what is needed to make a success of these plans. MHCLG have asked us as a firm to report by 31 July 2026, on a case by case basis, our assessment of the Council's ability to both maintain and where necessary rebuild assurance. Having a clear and agreed project plan to complete all financial statements and VFM work by 30 November 2026 is a key part of this assurance.

If you have any queries or questions, then do not hesitate to let us know.

Yours sincerely

Gareth Mills

Key Audit Partner & Engagement Lead for Kirklees Council



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