Kirklees Council

Audit progress report and sector updates

30 July 2026

Agenda

Audit Progress Report

Grant Thornton

Introduction

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This paper provides the Corporate Governance and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you.

Members of the Corporate Governance and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications: Local government | Grant Thornton

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Gareth or Greg.

We continue to bring specialists to our update conversations where appropriate to share any learning from our position as a leading audit supplier to the local government sector.

You will also have access to our annual Chief Accountant Workshops and any other networking opportunities we create for the various stakeholders.

Progress as at July 2026

Financial Statements Audit

In March 2026 we commenced our detailed audit risk assessment for 2025/26. Our detailed Audit Plan, setting out our proposed approach to the audit of the 2025/26 financial statements, was presented at the Corporate Governance and Audit Committee in April 2026.

The statutory deadline for the submission of the draft Statement of Accounts was 30 June 2026. The Council published its accounts on 25 June 2026, thereby meeting the statutory deadline in good time, and this represents a continuation of the Council meeting the national publication deadlines, highlighting the good arrangements in place.

We commenced our audit fieldwork in early July, and to date, working papers and requests for information are being provided to the audit team in a timely manner. We have opted to retain audit materiality at the level set out in our Audit Plan – headline materiality of £19.4m, performance materiality of £13.58m and trivial matters (reporting threshold) at £0.97m. Early work completed to date has focussed on sample selection, and we have selected a number of samples for balance sheet items and accounts disclosures to date. This work will continue into August, and by the end of that month we are working towards having all of our audit samples issued to the Council.

The audit team is facing challenges in selecting income and expenditure samples, arising from the complexity of how accounting transactions are categorised and mapped to the financial statements. The agreement of the general ledger transactions to the financial statements is towards the more complex end of the spectrum when benchmarked across our client portfolio. This complexity stems from the high volume of adjustments posted to the outturn position reported to Cabinet in order to arrive at the position reported in the financial statements and notes to the accounts, including the Comprehensive Income and Expenditure Statement, the Expenditure and Income Analysed by Nature (Subjective Analysis), and the Expenditure and Funding Analysis. Whilst the production of local authority accounts requires a number of accounting adjustments and reclassifications, including those relating to statutory accounting requirements, which add complexity to this process, the number of such adjustments at Kirklees is greater than what we have observed at similarly sized councils.

While these adjustments are posted in the ledger and discussions with the finance team to date have been constructive, we have not yet been able to identify a set list of rules governing how these adjustments are made. As a result, we have not been able to automate this mapping process, as has been achieved at the majority of other audited bodies, including similarly sized councils. With external audit providers increasingly moving towards automation of this process on the grounds of quality, efficiency, and delivering an earlier audit close, this accounts mapping process has presented a challenge on this engagement. We are actively discussing this with the finance team and working to reach a resolution, with the aim of achieving the target of selecting all samples by the end of August. Balance sheet samples are moving forward well and we are experiencing a good level of engagement from the finance team in providing transaction populations and responding to auditor queries.

We are aiming to bring a detailed audit progress report to the September Corporate Governance and Audit Committee meeting, as set out in the audit timetable that can be found in our Audit Plan dated April 2026. This is to support with visibility of the external audit progress throughout the process as we work towards an earlier audit close in the 2025-26 external audit cycle. As per this timetable, we will report on the results of our work in the Audit Findings (ISA260) Report to the November Corporate Governance and Audit Committee and aim to issue our audit opinion on the Statement of Accounts by 30 November 2026.

Progress as at July 2026

Value for Money

Under the 2020 Audit Code of Practice, we are required to undertake sufficient work to satisfy ourselves that the authority "has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources."

In our Audit Plan, we reported the findings from our VFM risk assessment to you at your April 2026 Corporate Governance and Audit Committee against the three following reporting criteria:

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

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.

Our detailed VFM work began in June and we have now scheduled meetings with the Council's Executive and Service directors for July and August to obtain further understanding of the progress the Council has made in responding to the significant weaknesses identified in prior years. Since sharing our Audit Plan in April 2026, we understand from Management that the Council has been subject to an inspection visit from the housing regulator, with findings expected to be published in the coming months. As and when these become available, we will consider these in our assessment of the Council's response to the third significant weakness listed above. When we reach the concluding stage of our work, we shall discuss the findings and recommendations with management and obtain management responses to the recommendations. Our Auditor's Annual Report will be reported to the Corporate Governance and Audit Committee in November 2026.

Progress as at July 2026 (continued)

Meetings

Since commencement of our work in respect of the audit year 2025-26 we have met with the Chief Executive, Deputy Chief Executive, Service Director Finance and Service Director Legal, Governance and Commissioning (Monitoring Officer) on a quarterly basis. We meet regularly with finance officers throughout the audit process.

Audit Fees

PSAA published their scale fees for 2025-26: 2025/26 audit fee scale - PSAA

For Kirklees Council the PSAA scale fee for 2025-26 audit of the Council is £475,983. This fee is derived from the procurement exercise carried out by PSAA in 2022. It reflects both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

This fee remains subject to the financial statements and working papers being of a good standard, no significant changes in scope to the audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested and the Council playing its part in working with Grant Thornton to achieve an earlier audit close this year (November 2026).

Events

We provide a range of workshops and network events.

Events taking place shortly include a webinar exploring the roles and responsibilities of Audit Committee Chairs and members, and how the Corporate Governance and Audit Committee functions within a wider governance landscape. The webinar was held on Thursday 2 July.

Audit Deliverables

Below are some of the audit deliverables planned for 2025-26

2025/26 Deliverables	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Corporate Governance and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2025/26 financial statements.	April 2026	Completed April 2026
Audit Findings (ISA260) Report The Audit Findings Report will be reported to the Corporate Governance and Audit Committee.	November 2026	Not due yet
Auditor's Report This includes the opinion on your financial statements.	November 2026	Not due yet
Auditor's Annual Report on VFM arrangements This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	November 2026	Not due yet

Sector Updates

Welcome to new members, and recommended actions

Recommended actions for members joining English councils for the first time.

The May 2026 local elections brought seismic changes to English council membership, and we extend a warm welcome to all new joiners.

There were significant changes to council control in many areas, coupled with new "firsts" such as the first Green mayor and, in many areas, new councillors now sitting for their first time. The fact that the number of councils with "No Overall Control" increased by more than 50% (rising from 41 to 64) highlights a shift towards multi-party politics; and the fact that politicians from very different ends of the political spectrum are now going to have to work together.

Immediate impacts for the business of local government are going to include:

- ❖ **New scrutiny:** High number of new declarations of interest and scrutiny checks to process, which in some cases may lead to further councillor turnover.
- ❖ **Higher workload for Democratic Services:** High number of councillors needing briefings for the first time on the day-to-day business of government, necessitating rapid building of effective relationships with officers.
- ❖ **Co-operation:** Effective decision-making will depend on co-operation between councillors who have no previous experience of working together.

We recommend key actions for new members:

- ❖ Use our report on **Preventing failure**. This includes a checklist of the various roles and responsibilities and duties and powers of the main committees and officers in the system.
- ❖ Enquire with your Grant Thornton Engagement Lead about **Local Government Governance training** we can provide.
- ❖ **Build an effective relationship with your Legal and Democratic Services team** to stay abreast of change. Local government structures and the legal and regulatory environment are rapidly evolving.
- ❖ **Promote financial transparency and a people-centric approach** as the sector, and millions of people who work within it and for it and with it, gear up to take on many new responsibilities.
- ❖ Familiarise yourself with the code of conduct and stay guided by **The Seven Principles of Public Life** (selflessness, integrity, objectivity, accountability, openness, honesty and leadership).

Latest changes to laws and regulations

For information: Recent legal and regulatory changes that Audit Committees need to be aware of.

Changes that Audit Committees need to be aware of:	Dates	Further information
English Devolution and Community Empowerment Act	29th April 2026 – Royal Assent	Enhanced powers and responsibilities for local government, and new local audit arrangements
Renter Rights Act	1st May 2026 – Officially took effect	Introduces new duties for local authorities to take enforcement action for breaches and tenancy law by private landlords
Social Housing Renewal Bill	13th May 2026 – King's Speech	Changes to eligibility requirements, discount rules and exemptions planned for Right to Buy
Overnight Visitor Levy Bill	13th May 2026 – King's Speech	Mayors and potentially other local leaders to be able to change new tourist taxes
Education for All Bill	13th May 2026 – King's Speech	Planned changes to arrangements for young people with Special Educational Needs and Disabilities
Public Office (Accountability Bill)	13th May 2026 – King's Speech	Introduces new duties of candour for local authorities and other public bodies
Town and Country Planning (local Planning) (England) Regulations 2026	25th March 2026 – Statutory Instruments	New system introduced for Local Plans
Combined Authorities (Overview and Scrutiny Committees, Access to Information and Audit Committees) (Amendment) Order 2026	14th May 2026 – Statutory Instruments	Provides a formal mechanism for setting commissioner allowances in Combined Authorities and Combined County Authorities
Sporting Events Bill	14th May 2026 – Impact Assessment and DCMS Memorandum	Proposes new enforcement powers for local authorities in ticketing protection

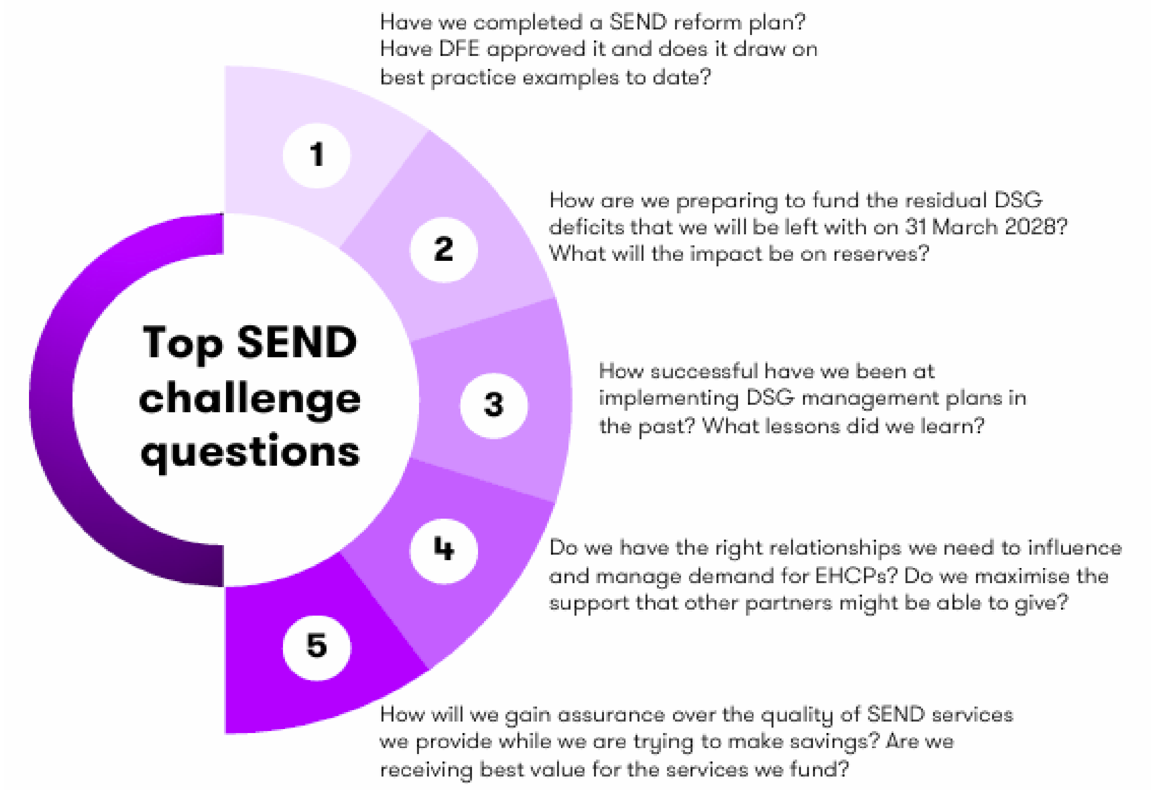
Lessons from Auditor's Annual Reports on Managing Dedicated Schools Grant Deficits

For information: Residual SEND related risks to be aware of, despite proposed reform.

Our latest report on Lessons from Auditors' Annual Reports, published on 20th May 2026, highlights lessons for Managing Dedicated Schools Grant Deficits.

- ❖ New commitments by the government to fund up to 90% of Dedicated Schools Grant deficits on 31st March 2026, if councils can agree SEND reform plans for their area with the Department for Education (due by 19th June 2026);
- ❖ The financial risks that councils will face once statutory override ends on 31st March 2028;
- ❖ Difficulties encountered so far by councils in effective planning for the management of DSG deficits;
- ❖ The benefits of working proactively with psychologists, teachers and families to make the most of current arrangements; and
- ❖ The importance of maintaining quality and efficiency in SEND services.

With the arrival of the Education for All Bill, Audit Committee members are encouraged to ask their councils:



CIPFA Bulletin 23 – Closure of the 2025/26 financial statements

CIPFA has issued Bulletin 23 (April 2026) to support authorities in preparing the 2025/26 Statement of Accounts. The bulletin covers key areas that authorities should consider for 2025/26.

Indexation of non-investment assets

The bulletin includes a useful list of answers to frequently asked questions on indexation for preparers of accounts.

Key reminders include:

- ❖ Authorities need to adopt a five-year revaluation cycle, with indexation in intervening years, replacing more frequent revaluations.
- ❖ It applies to most property, plant and equipment, excluding council dwellings, along with leased assets if measured at valuation.
- ❖ Indexation maintains asset values in line with market changes, and authorities should continue to review asset lives and indicators of impairment.
- ❖ CIPFA does not prescribe which indices authorities may use - authorities must select appropriate indices, justify choices, and use the latest available data.
- ❖ In rare cases where no index is available a desktop valuation is required in year three.

For a full copy of Bulletin 23, see CIPFA Bulletin 23 – Closure of the 2025/26 financial statements | CIPFA

More detailed guidance on indexation is available in CIPFA's CIPFA Bulletin 22 Indexation application guidance | CIPFA

Dedicated Schools Grant (DSG) high needs stability grant

The bulletin highlights that the grant is subject to conditions, including the requirement to obtain Department for Education approval of a local SEND reform plan.

Authorities will need to consider their specific facts and circumstances (which may vary) to determine the appropriate treatment within their own 2025/26 accounts, including:

- ❖ whether or not grant income should be recognised.
- ❖ whether disclosures are necessary (e.g. contingent assets, events after the reporting period).

Audit Committees can help by asking:

- ❖ What assurance is available that the indexation applied is appropriate for the authority's various assets within the scope of indexation, and is supported by sufficient external evidence and professional input?
- ❖ If applicable, does the treatment of high needs stability grant appropriately reflect the requirements of the CIPFA Code, including the timing of income recognition and transparency of disclosures?

Valuing people

For information: Audit Committees need to be mindful of workforce and people-related challenges facing the sector.

The Public Services People Manager's Association held their latest Annual Conference in Birmingham in April this year and heard thoughts on whether the time is right for the Chief People Officer to become a statutory role, equivalent to Monitoring and s151 Officer.

With challenges around skills retention, and with local government reorganisation creating uncertainty and instability for those employed across the sector, the timing for this debate could perhaps never be better.

Local Government Association workforce data shows that:

- More than 1 million people are directly employed by councils across England, at a cost of £35.8 billion per annum; and
- More than one million additional people are employed in council-commissioned Adult Social Care through the private sector.

In addition to those formally employed across the local government sector, the Health Foundation recently estimated that 1 in 6 adults in the UK carry out unpaid care work, providing essential top up for public services that are the statutory responsibility of local authorities.

CQC is currently consulting on proposed changes to its regulatory process. The intention is to replace 34 "Quality Statements" with 24 "Key Lines of Enquiry", looking at how local authorities deliver care and, amongst other things, lending greater weight to how local authorities work professionally with the unpaid carers whose work supports statutory provision.

Carers UK held an inaugural State of Caring conference in May 2026 hearing, amongst other things, about the tipping point unpaid carers can reach if not given the right support. CQC's change of emphasis seems a well-timed recognition of the reality of how significant elements of social care are provided across England today.

Neighbourhood health frameworks

Audit Committees need to ask their councils what steps are being taken to prepare for changes in the way they work with the NHS.

A new policy paper on Neighbourhood health frameworks was published on 17th March 2026 – setting out plans to create a new “neighbourhood health service”. This:

- builds on ambitions first set out by the government in 2025 to move the focus of health care from hospital treatment to community prevention; and
- sets out expectations for neighbourhood level partnership working across the health and care system from 2027/28 onwards (with the NHS, local authorities and community and voluntary partners).

As the NHS is embarking on a period of restructuring, and local government is reorganising at the same time, councils will need to be clear about what their responsibilities are; how they will agree local neighbourhood health objectives with partners; and how they will measure progress.

Audit Committees can help by asking officers:

- What are the risks for our council, and how are these mitigated?
- How do we identify key public health partners and agree strategic objectives with them?
- How will we measure neighbourhood health achievements?

Fit for purpose - partnerships and procurement

Audit Committees need to ask their councils how robust their leisure partnerships and procurement are.

Whilst high profile government announcements in May on the Olympics and stadium regeneration highlighted the economic importance of sport for regeneration in local areas, councils are already doing an excellent job using leisure contracts to deliver health and social care impacts in their areas.

SOLACE and Alliance Leisure held a roundtable in April 2026 highlighting the role that local authority leisure centres are starting to play in the NHS ten-year plan's health prevention agenda, including:

- Co-locating libraries and community services with leisure centres; and
- Providing clinical deliveries such as health checks and rehabilitation at leisure centres.

To make the most of the opportunities their leisure estate provides, councils need to be develop and maintain effective relationships not only with the NHS and community and voluntary groups, but also with the commercial contract partners that manage and operate the centres.

In April, one of England's largest outsourced leisure centre operators (Fusion Lifestyle), appointed administrators following multiple financial distresses built up in the wake of the Covid-19 pandemic; rising energy costs; and reduced government funding. Affected councils have had to take their leisure services back in house while they look for alternative providers.

Financial pressure is common across the sector, and there is a risk of disruption elsewhere in England.

Audit Committees can help by asking officers:

- Are our services for residents and schools at risk?
- When was the last time we checked the financial health of our contract operators?
- Do we have a register of community and voluntary sector partners that we are co-delivering social and health prevention impacts with?
- When was the last time our leisure estates strategy was updated? Are we optimising the use of the estates that we have?
- How are we measuring the performance of our leisure estates and leisure contracts?
- Where applicable, what oversight is the health scrutiny committee exercising?

How to create a healthy future for leisure services – and people | Solace

Audit Committee resources

Commentary from Grant Thornton on recovering the accounts preparation and audit timetable:

Local audit reset: What comes after the backstop? | Grant Thornton

Latest guidance and learning from Grant Thornton on local government reorganisation and devolution:

Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton

Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?

Learning from the new unitary councils

Grant Thornton learning on procurement and contract management:

Local government procurement and contract management

Audit Committee and organisational effectiveness in local authorities (CIPFA):

https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk, LGA Senior Adviser, for more information.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

Global Internal Audit Standards in the UK Public Sector | CIPFA

CIPFA Good Governance

Delivering Good Governance in Local Government Addendum

The Three Lines of Defence Model (IAA)
https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf

Risk Management Guidance / The Orange Book (UK Government):

https://www.gov.uk/government/publications/orange-book

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