

Title of Report	External Audit Progress Report 2024-25
For Consideration By	Audit Committee
Meeting Date	13 January 2026
Classification	Open
<u>Wards Affected</u>	All
<u>Group Director</u>	Naeem Ahmed, Group Director - Finance & Corporate Resources

1. **Introduction**

- 1.1 The audit progress report for the financial year 2024/25, provided by the Council's external auditors, Forvis Mazars, presents an overview of the audit status for the financial statements of the Council and Pension Fund. The report provides updates since the previous report presented at the October 2025 meeting

2. **Recommendation**

- 2.1 The Audit Committee is recommended to note the contents of the report.

3. **Reasons for decision**

- 3.1 The external auditors are required to report to “those charged with governance” any matters arising from the annual audit of the Council’s Financial Statements and those of the authority’s Pension Fund before they can issue audit opinions on those statements.

4. **Background**

Policy context

- 4.1 The Audit Progress Reports discharge the external auditor’s responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

Equality impact assessment

- 4.3 For this report, an Equality Impact Assessment is not applicable.

Sustainability

- 4.4 Not applicable - This report contains no new impacts on the physical and social environment.

Consultations

- 4.5 Not applicable

Risk assessment

- 4.6 Details of the auditor's assessment of risk associated with the audit of the accounts will be outlined in the ISA260 Report (see appendix 1)

5. External Audit Progress Report 2024/25

- 5.1 This report updates the Committee on the progress of the audit for the Council's and Pension Fund's accounts for the year ending 31 March 2025. The auditors remain on track to issue audit opinions to enable the Council to publish its audited statement of accounts by 27 February 2026. Work on the Council's accounts has made good progress since October and is on track to complete in February 2026. Please see Appendix 1 Section 1 for detailed information of the audit progress
- 5.2 The auditors have reported on their Value for Money (VFM) work. They have identified **two significant weaknesses** in arrangements:
1. **Financial Sustainability:** The Council continues to rely on the unsustainable and unplanned use of reserves to deliver services.
 - The 2024/25 outturn showed a £26.3m overspend , and the General Fund reserve balance decreased from £154.1m (March 2024) to £111.6m by March 2025.
 - Auditors noted that using reserves to bridge budget gaps without delivering sufficient transformational savings is unsustainable.
 2. **Improving Economy, Efficiency and Effectiveness (Governance):** Failure to comply with Health and Safety standards in relation to Social Housing.
 - This follows a 'C3' grading from the Regulator of Social Housing (RSH) and a Housing Ombudsman investigation.
 - The 2020 cyber-attack resulted in data loss, meaning the Council could not evidence checks for asbestos, waste safety, and lift safety.
 - The auditors recommend the Council implements recommendations from the RSH and Housing Ombudsman and works to restore property data.
- 5.3 Additionally, a recommendation (not classified as a significant weakness) was made regarding the Temporary Accommodation (TA) service. The TA team relies on spreadsheets following the cyber-attack, leading to errors in payments and billing. The auditors recommend the Council ensures reliable data arrangements are in place to inform TA spending decisions.
- 5.4 The Audit fees for 2024/25 currently stand at £569k for the Council audit, and £84k for the Pension Fund audit, however, the Council audit fee is anticipated to increase for the following;
- Valuations of Property Plant and Equipment & Investment Properties.

- Value for Money risks and significant weaknesses
- IFRS 16 first year implementation

5.5 The external auditors will present their reports at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

6. **Comments of the Group Director - Finance & Corporate Resources**

6.1 We are pleased with the progress of the audit and remain confident that it will be fully completed by February 2026.

6.2 We acknowledge the identified risks of significant weaknesses within the Value for Money framework and are implementing plans to address and manage these issues moving forward.

6.3 The local authority is actively addressing financial pressures through controls set out within the Overall Financial Position (OFP) monthly reports. This includes a strategic refocus of budget recovery actions toward high-risk areas to mitigate overspend and ensure robust financial monitoring. We explicitly recognise that the unplanned use of reserves to bridge budget gaps is unsustainable; therefore, we are pivoting toward greater management oversight and accountability to deliver a solid, sustainable financial position. By reducing our reliance on reserves and focusing on transformational change, we are ensuring the authority's long-term financial resilience.

6.4 In light of the Provisional Finance Settlement, the Council is committed to setting a 2026/27 budget without the use of reserves. Our focus remains steadfast on the delivery of approved savings and the transformation agenda. Furthermore, we have established the Housing Improvement Board under an independent chair and the HRA Finance Improvement Board to drive necessary financial and operational enhancements.

6.5 I am pleased to note the continued strong working relationship between the auditors and the Council's officers. I want to express my gratitude to the auditors for their collaborative efforts with my team and extend my thanks to all the officers involved in preparing the Statement of Accounts for their hard work and dedication.

7. **Comments of the Director of Legal, Democratic and Electoral Services**

7.1 Section 151 of the Local Government Act 1972 provides that 'every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.'

7.2 The proper administration of the Council's financial affairs includes the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998. The external audit of the authority's statement of accounts is carried out under the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit regulations 2015. These set out the statutory framework for the

appointment of auditors, the scope of the audit and the responsibilities of both the auditor and the authority.

- 7.3 The Council's Constitution delegated responsibility for external audit matters to the Audit Committee, including supporting the independent of external audit, considering reports from the Council's external auditors, and commenting on the scope and depth of external audit work to ensure it gives value for money.
- 7.4 Consideration of this report by the Audit Committee is in pursuance of the above mentioned obligations and is part of the Council's fulfilment of its duties.

Appendices

Appendix 1 - LB Hackney 2024-25 Forvis Mazars Progress Report

Background documents

None

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