

MINUTES OF A MEETING OF THE AUDIT COMMITTEE

TUESDAY 13 JANUARY 2026

Councillors Present:	Councillor Anna Lynch in the Chair Cllr Ben Lucas (Vice-Chair), Cllr Zoe Garbett, Cllr George Gooch, Cllr Patrick Pinkerton, Cllr Midnight Ross, Cllr Caroline Selman, Cllr Gilbert Smyth,
Co-optee Members	Mariam Doyin-Salau Anthony Marsh
Apologies:	Councillor Sophie Conway
Officers in Attendance:	Michael Sheffield Corporate Head of Audit, Anti Fraud and Risk Management, Rickardo Hyatt, Group Director for Climate, Homes and Economy Dawn Carter McDonald, Chief Executive Matthew Powell, Corporate Risk Manager Mizanur Rahman, Assistant Director Corporate Finance Deirdre Worrell, Director of Financial Management Naeem Ahmed Group Director Finance and Corporate Resources, Sandra Farquharson, Director, HR and OD, Kieran Read, Director of Corporate Strategy & Transformation Josephine Sterakides, Legal Representative Louise Humphreys, Director of Legal, Democratic & Electoral Services and Monitoring Officer Jessica Feeney, Governance Services Officer

1 Apologies for Absence

There were no apologies for absence.

2 Declarations of Interest

There were no declarations of interest.

3 Minutes of the Previous Meeting

RESOLVED

That the Minutes of the previous meeting held on 30 October 2025 were approved as a correct record.

4 External Audit Update

- 4.1 The External Auditors presented updates on the March 2025 year-end accounts audit. The Committee was informed that resource challenges were experienced in November and December but that additional resources were now in place, with the audit anticipated to be completed by February.
- 4.2 Members were advised of the following two significant weaknesses:
- Financial Sustainability: Usable reserves fell from £154.1 million to £111.66 million, and sufficient reserves were determined to exist until March 2027 before exhaustion. The auditors recommended reducing reliance on reserves and identifying transformation opportunities.
 - Social Housing Regulatory Compliance: The council had not achieved 100% compliance with the Home Standard regarding repairs and maintenance. Recommendations included implementing regulator recommendations and restoring property data following the cyber-attack.
- 4.3 Two objections to the accounts remained under review, with final views expected by the end of January.
- 4.4 Members asked for clarification on the objection relating to the Council's use of external advisers in making investment decisions, particularly in relation to pension funds and climate change. The external auditors explained that the objection alleged the Council had been overly influenced by its external advisers when making climate-related investment decisions, including those involving organisations connected to oil and gas. It was noted that further detail could be provided outside the meeting due to time constraints.
- 4.5 Members asked whether the auditors' comments on financial sustainability had taken account of recent Fair Funding Review announcements. The external auditors confirmed that their assessment related to arrangements in place for the 2024/25 financial year and was therefore backward-looking. The impact of Fair Funding would be considered as part of the 2025/26 value for money assessment.
- 4.6 Members queried whether the Council was setting a realistic budget, given the continued reliance on reserves and difficulties in delivering planned savings. The external auditors stated that their work did not assess the realism of the budget itself, but focused on the robustness of the Council's arrangements for setting, monitoring and delivering the budget.

RESOLVED:

The Audit Committee is recommended noted the contents of the report.

5 Corporate Risk Register

- 5.1 The Corporate Risk Register was outlined to members, and the following key points were noted:
- The register contained 17 risks, with nine ranked red.

- A new risk was added concerning the corporate transformation programme's resource management.
 - Financial position risk remained red, but its probability slightly decreased following the provisional local government financial settlement.
 - New legislation risk now included the recent Supreme Court judgement on biological sex determination and equalities legislation ambiguities.
 - SEND risk remained red, as clarity was lacking on historic costs and responsibility for interim costs despite central government funding announcements.
- 5.2 Members asked who the Council was seeking legal advice from in relation to the recent Supreme Court judgement referenced in the risk register. It was advised that the Council was relying on its internal legal services and would seek specialist external legal advice where required.
- 5.3 Members asked for an update on the corporate transformation programme risk, noting that the written update had not been refreshed since October. It was explained that a more detailed update would be provided under the Chief Executive Directorate Risk Register, as the transformation programme sat within that register.
- 5.4 Members asked why the transformation programme had only recently been escalated to the Corporate Risk Register, given its scale and importance. Officers explained that the programme had been discussed from a risk perspective for some time, but was formally escalated once it was fully launched and operational.

RESOLVED:

That the contents of this report and the attached risk registers and controls in place, be noted.

6 Chief Executive's Directorate Risk Register

- 6.1 The Chief Executive, Dawn Carter McDonald, introduced the report and highlighted the transformation programme as the key focus:
- Transformation Board: The Board was noted to comprise the Corporate Leadership Team plus additional directors, with the Chief Executive as Senior Responsible Officer and the Mayor as political lead.
 - Independence Challenge: The Chair raised concerns regarding the potential for "marking own homework" and suggested exploring independent oversight, which the Chief Executive agreed to consider.
 - Workforce Strategy: It was confirmed that the People and OD strategy would be available from March 2026, addressing concerns about alignment between workforce planning and transformation.
- 6.2 Members asked whether the Transformation Management Board included any independent membership, noting the risk of perceived lack of independence and referencing good practice elsewhere. The Chief Executive stated that the Board consists only of the Corporate Leadership Team and directors. She acknowledged the concern and committed to considering the suggestion for independent oversight.

- 6.3 Members asked for further detail on the Cost of Living risk, including the role, membership and operation of the Poverty Reduction Oversight Group. The Chief Executive indicated that a senior officer would provide further detail, as the group sat within that service area.

RESOLVED:

That the Audit Committee noted the contents of this report and the Chief Executive's Directorate Risk Register attached at Appendix 1, and provide any feedback on the management of those risks identified.

7 Housing, Climate and Economy Directorate Risk Register

- 7.1 Rickardo Hyatt presented the persistent challenges across the large directorate:

- Temporary Accommodation: The successful transformation board approach led to improvements, serving as a potential model for other services.
- Building Safety: Ongoing challenges were noted with new regulations affecting both new builds and existing stock.
- Housing Repairs: An improvement programme was confirmed to be in place following the Housing Ombudsman paragraph 49 report.
- ICT Impact: Continued legacy issues from the 2020 cyber attack were noted, although new integrated housing management system procurement was progressing well.
- Waste Risk: The new £2 million emissions trading system cost from 2028 was being monitored collaboratively through the North London Waste Authority.

RESOLVED:

That the Audit Committee noted the contents of this report and the attached risk register and controls in place.

8 Treasury Management Update

- 8.1 Items 8 and 9 were agreed to be discussed under item 8.

- 8.2 Deirdre Worrell reported on half-yearly and quarterly treasury activities, the following key points were raised:

- External Borrowing: Increased to £277 million, remaining in the upper quartile compared to London authorities.
- Interest Rates: The average rate on external debt was 3.7%.
- Investments: Short-term investments stood at £24 million (down from £40m at the year start).
- Green Investment: The Hackney Green Investment initiative successfully raised an additional £500,000, with plans for regular raises toward a £5 million target by 2030.
- Compliance: Full compliance with all prudential indicators was maintained.

RESOLVED:

That the Audit Committee approved the draft Treasury Management Strategy 2026/27 to 2028/29 for submission to Council, subject to the

Capital programme that was being finalised ahead of budget report, with delegation to the Group Director, Finance and Corporate Resource to approve the final Treasury Management Strategy for submission to Council.

9 Treasury Management Strategy 2026/27

This item was dealt with under item 8.

10 Audit and Anti-Fraud Progress Report

10.1 Michael Sheffield provided updates on internal audit performance:

- **Audit Progress:** 90% of the plan was in progress, though only 29% was at the report stage (compared to 39% at the same time last year) due to earlier resource challenges.
- **Negative Assurance:** Four audits concluded with limited/no assurance, including one "no assurance" rating for leaseholder major works debt recovery.
- **Investigations:** £461,000 in benefits was identified over two months, including the recovery of 10 misused tenancies and one cancelled right-to-buy application.
- **Standards Update:** New global Internal Audit Standards required some governance considerations, but current reporting arrangements through the Group Director Finance were deemed appropriate with alternative escalation routes available. Members were asked to comment if the current arrangement was not considered suitable for any reason.

10.2 Members asked how frequently surveillance powers had been used by the Council. The Head of Internal Audit confirmed that surveillance powers had not been used for many years (approximately a decade). It was explained that the powers were retained for compliance and contingency purposes, but were not relied upon as a routine investigative tool.

10.3 Members asked for clarification on the Audit Committee's responsibilities under the new Internal Audit Standards, specifically whether the requirement to review and implement an action plan related to existing audit reports. It was explained that this referred to the external quality assessment of internal audit, which is undertaken every five years. Following that assessment, an action plan is produced and reported to the Audit Committee for oversight. This was separate from the routine internal audit reports.

RESOLVED:

That the Audit Committee noted the contents of the report and approved the revisions to the Council's Surveillance and Communications Data Policy. The Committee also noted the reasons for retaining the existing Internal Audit reporting lines and that comments had been invited if there were any contrary views.

11 Audit Committee Work Programme

Tuesday 13 January 2026

The Committee noted the work programme, and members were reminded that there was now an additional meeting being held on the 24th February to sign off on the 2024/25 Statement of Accounts.

12 Any Other Business that the Chair Considers Urgent

There was none.

Duration of the meeting: 7.00pm - 8:15pm.