

Title of Report	External Audit Completion Report 2024/25
For Consideration By	Audit Committee
Meeting Date	24 February 2026
Classification	Open
<u>Wards Affected</u>	All
<u>Group Director</u>	Naeem Ahmed, Group Director - Finance & Corporate Resources
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1. **Introduction**

- 1.1 The external auditors, Forvis Mazars, have produced two Audit Completion Reports (ACR) for the financial year 2024/25: one for the Council and one for the Pension Fund. These reports summarise the audit findings, conclusions, and the current status of the financial statement audits for each entity.

2. **Recommendation**

The Audit Committee is recommended to:

- 2.1 **Note the contents of the reports.**
- 2.2 **Authorise the Group Director of Finance and Corporate Resources to approve the final Statement of Accounts for 2024/25, contingent upon the completion of the outstanding work by the external auditor, as detailed in the audit completion reports (see Appendix 1 & 2)**

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 Completion Report 2024/25**

- 5.1 The audits of the financial statements for the year ended 31 March 2025 are substantially complete. Pending satisfactory resolution of outstanding matters, the auditors anticipate issuing an unqualified opinion on both the Council and Pension Fund financial statements. At the time of writing this report the outstanding Council matters include finalising expenditure testing, property valuations (PPE), and IFRS16 implementation. Outstanding Pension Fund matters include finalising the reconciliation of IAS 19 investment data to custodian reports.

- 5.2 Unlike the prior year, the auditors have identified two significant weaknesses in the Council's Value for Money arrangements:

- Financial Sustainability: Unsustainable reliance on usable reserves and one-off resources to bridge budget gaps and undelivered savings targets.
- Governance: Failure to comply with Health and Safety standards in Social Housing, following a self-referral to the Regulator of Social Housing.

- 5.3 The external auditor reported no significant internal control deficiencies. Minor "other observations" were raised regarding a CedAR e5 system glitch affecting journal identification across both audits, and a requirement for improved documentation regarding the Council's revenue capitalisation.

- 5.4 The draft financial statements contained misstatements that the auditors have identified and which require reporting to the Audit Committee. As of the date of this report, the Council has decided to adjust five of these misstatements, while not adjusting six misstatements. Section 6 of Appendix 1 provides the

specific details of all adjusted and unadjusted misstatements that are above the reporting threshold.

- 5.5 Local electors raised one objection to the Council's 2024/25 accounts. However, the auditor determined that this objection did not meet the eligibility criteria set out in the 2014 Act.
- 5.6 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
- 5.7 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. **Financial Implications**

- 6.1 We are pleased with the progress of the audit and remain confident that it will be fully completed by 27th February 2026.
- 6.2 Management acknowledges the identified significant weaknesses within the Value for Money framework and is proactively implementing remedial plans. While the General Fund balance remains at the prudent minimum of £19m, we recognise the auditor's concerns regarding the depletion of usable reserves during 2024/25. To address this, the Council is committed to setting a 2026/27 budget without the use of reserves and is developing a robust Medium-Term Financial Plan (MTFP) designed to stabilise reserve levels before their projected exhaustion in 2027. This strategy shifts away from a reliance on one-off resources by focusing on:
- Transformation & Efficiency: Identifying large-scale service delivery efficiencies to bridge future funding gaps.
 - Strategic Reinvestment: Utilising the favorable funding settlement and increased fiscal certainty through 2028/29 and prioritising the restoration of financial buffers to strengthen the Council's long-term financial resilience.
- 6.3 The Council is taking immediate action to address the findings of the Regulator of Social Housing (RSH) and the Housing Ombudsman (HOS). The Council has integrated the recommendations into an updated Housing Improvement Plan. This plan includes workstreams for health and safety compliance, repairs, learning from complaints, knowledge and information management, oversight, workforce development, policy and procedure. The implementation of these recommendations is monitored externally by the HOS. Within the Council quarterly advisory reports will be submitted to Cabinet and the Living in Hackney Scrutiny Commission. There will be further challenge and oversight from the Independent Housing Advisory Panel and

the HRA Finance Improvement Board which will drive through the necessary financial and operational enhancements to deliver on the improvements needed to address all findings.

- 6.5 I am pleased to acknowledge the continued strong and professional working relationship between the external auditors and Council officers. While the audit has progressed well, we recognise the challenges encountered regarding the Pension Fund accounts, specifically relating to the late provision of IAS 19 data. This delay was primarily due to the complexities of obtaining necessary information from third-party providers.

To prevent a recurrence and ensure a more streamlined process in future cycles, management is committed to the following actions:

- **Enhanced Monitoring:** Implementing a more robust response-tracking mechanism to ensure all audit queries are addressed within agreed timescales.
- **Quality Assurance:** Working closely with the auditors to draw on this year's experience to refine the quality and specificity of our evidence, ensuring it fully meets audit requirements at the first point of delivery.
- **Third-Party Engagement:** Reviewing our protocols for data requests from external bodies to mitigate the risk of external delays.

I would like to express my gratitude to the auditors for their collaborative approach and extend my thanks to all officers involved in the preparation of the Statement of Accounts. Their hard work and dedication remain vital to the Council's commitment to financial transparency and excellence.

Financial implications prepared by: Deidre Worrell, Director of Financial Management
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Date: 16 February 2026

7. **Legal Implications**

- 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.
- 7.3 The Council's Constitution gives the Audit Committee responsibility for adopting the annual statement of accounts and for considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit which need to be brought to the attention of the Council.

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.

Legal implications prepared by: Georgia Lazari
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Date: 16 February 2026

Appendices

Appendix 1 - LB Hackney 2024-25 Audit Completion Report (Council)

Appendix 2 - LB Hackney 2024-25 Audit Completion Report (Pension Fund)

Background documents

None