



## Audit completion report

**London Borough of Hackney Pension Fund – year ended 31 March 2025**

For the meeting of the Audit Committee on the 24<sup>th</sup> February 2025

Audit Committee  
London Borough of Hackney  
Hackney Town Hall  
Mare Street  
London

12 February 2026

Forvis Mazars  
3 Wellington Place  
Leeds  
United Kingdom  
LS1 4AP

Dear Committee Members,

## **Audit Completion Report – Year ended 31 March 2025**

We are pleased to present our Audit Completion Report for London Borough of Hackney Pension Fund (“the Fund”) for the year ended 31 March 2025. The purpose of this report is to summarise our audit findings and conclusions.

This report is intended solely for members of the Audit Committee as “Those Charged With Governance” for the purpose of communicating certain matters that, in our professional judgement, are relevant to your oversight of the financial reporting process. To the fullest extent permitted by law Forvis Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

We appreciate the assistance of your team throughout our audit. We would be happy to discuss the contents of this report, or any other matters regarding our audit, with you in more detail.

Yours faithfully



Mark Kirkham, Partner

Forvis Mazars LLP

Forvis Mazars LLP – 30 Old Bailey London EC4M 7AU

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# Contents

- 01** Executive summary
- 02** Status of our audit
- 03** Audit approach and risk summary
- 04** Significant findings
- 05** Fraud considerations
  
- A** Appendix A: Internal control conclusions
- B** Appendix B: Draft management representation letter
- C** Appendix C: Draft audit report
- D** Appendix D: Draft consistency report
- E** Appendix E: Confirmation of our independence
- F** Appendix F: Other communications
- G** Appendix G – Current year updates, forthcoming accounting and other issues

Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. This document is to be regarded as confidential to London Borough of Hackney Pension Fund. It has been prepared for the sole use of the Audit Committee as the appropriate group charged with governance. We do not accept any liability or responsibility to any other person in respect of the whole or part of its contents.

01

Executive Summary

# Executive summary

## Scope

We have been engaged to audit the financial statements of London Borough of Hackney Pension Fund for the year ended 31 March 2025 which are prepared in accordance with the 2024/25 Code of Practice on Local Authority Accounting.

Our audit was conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our audit methodology, and in accordance with the Code of Audit Practice.

## Audit status

Our audit procedures are now substantially complete. The *'Status of our audit'* section includes the significant audit matters outstanding at the date of this report. We will provide an update to Those Charged With Governance on completion of the outstanding matters by way of a follow-up letter.

## Areas of focus and audit approach, and significant findings

We have not made any changes to our initial risk assessment and planned audit approach that was communicated to Those Charged with Governance in our Audit Strategy Memorandum.

Significant findings from our audit are set out in the *'Significant findings'* section.

## Significant control deficiencies

We have not identified any significant deficiencies in internal control to date.

## Audit misstatements

We have identified no adjusted or unadjusted misstatements above our reporting threshold to date.

## Audit opinion

Subject to the satisfactory conclusion of our remaining audit work, we aim to issue an unqualified opinion, without modification, as set out in Appendix C.

## Consistency Report

We anticipate concluding that the Pension Fund financial statements within the Pension Fund's Annual Report are consistent with the Pension Fund financial statements within the Statement of Accounts of London Borough of Hackney Council. Our draft consistency report is provided in Appendix D.

## Wider reporting powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about accounting records and to consider eligible objections made to the accounts. We have received an objection relating to the Council's accounts and have communicated our draft views for comment to both the Council and the elector.

## Qualitative aspects of Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and conclude that they comply with the 2024/25 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

Draft accounts were received from the Fund on 30<sup>th</sup> June 2025 and were of a good quality. Supporting working papers were also of good quality, with the exception noted below.

## Significant matters discussed with management

There were no significant matters discussed with management other than those related to the significant risks and audit misstatements reported elsewhere in this report.

## Significant difficulties during the audit

We draw the following matters to your attention:

- Extensive additional work was required to obtain sufficient appropriate audit evidence for the classification of level 3 investments. While the Fund's working papers were largely adequate, they did not clearly record the sources for the disclosures in the financial statements needed to reperform and determine the investments were appropriately supported by the underlying custodian reports.
- Responses to queries have often been unexpectedly delayed. One outstanding query initially issued on 5<sup>th</sup> October 2025 was only resolved on 12<sup>th</sup> February. This relates to the reconciliation of IAS 19 data to the custodian reports.

Where responses were received in a more timely fashion, often they were insufficient to satisfy the request and required additional work by the audit team.

## Other matters of significance

We encountered no other significant difficulties and had no significant disagreements with management. There was effective co-operation and communication between Forvis Mazars, management, and Those Charged With Governance. All other requested information was provided to us.

# 02

Status of our audit

# Status of our audit

Our audit work is substantially complete and, except for the matters set out in section 'Executive Summary' of this report, there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the satisfactory resolution of the outstanding matters set out below.

## ITGC testing

The work is largely completed with testing of controls required on iTrent. We do not anticipate any issues arising.



## Risk disclosures testing

We identified a number of non-significant presentational issues, such as a table being duplicated and another table with missing lines. These have been agreed and are to be corrected in the next draft of the financial statements. No exceptions noted were noted during the audit of the underlying workings.



## IAS 19

In October, we submitted a request for a reconciliation between the data held by the custodians and the fund managers and Redington which is then used by the actuary to generate the Fair Value of investments in the Statement of Accounts. We have consistently chased this and have been promised underlying data and reconciliation. This query was responded to on 12<sup>th</sup> February and we are working to conclude on our testing. We will update members in our ACR follow-up letter.



## IAS 26

Our report is complete pending resolution of the IAS19 section above.



## Final review procedures

We are currently completing our file review which includes the review by the Engagement Partner. We cannot complete our closure procedures until outstanding points are resolved.



## Events after the reporting period

Review of events after the reporting period, up to the point at which we sign our audit report.



## File closure procedures

Following completion of review procedures, we need to complete file closedown procedures, including receipt of management's letter of representation and complete our consideration of post balance sheet events to the date of final sign off.



### Status



Likely to result in a material adjustment or a significant change to disclosures in the financial statements.



Potential to result in a material adjustment or a significant change to disclosures in the financial statements.



Not considered likely to result in a material adjustment or a change to disclosures in the financial statements.

## Audit approach and risk summary

# Audit approach and risk summary

## Changes to our audit approach

There have been no changes to the audit approach we communicated in our Audit Strategy Memorandum, issued on 30 May 2025.

## Materiality

Our provisional materiality at the planning stage of our audit was set at £20.5m, using audited figures from the 2023/24 financial statements and a benchmark of 1% of net assets available to pay benefits as per the Audit Strategy Memorandum.

There have been no changes to the benchmark used to determine materiality we communicated in the Audit Strategy Memorandum. We revised materiality on receipt of the draft final financial statements.

	2024/25 final materiality £000s	2024/25 provisional materiality per ASM £000s
Overall materiality	21,197	20,500
Performance materiality	16,957	16,400
Clearly trivial	635	615
<b>Specific Fund Account materiality:</b>		
Overall materiality	8,577	8,200
Performance materiality	6,862	6,600
Clearly trivial	257	247

## Internal audit

There were no changes to our planned approach. We have not relied upon the work of internal audit for the purposes of our audit. We obtained copies of the reports issued by internal audit relating to the financial period and considered whether the findings would impact our risk assessment and our planned audit procedures. There were no findings which impacted our risk assessment or audit approach.

## Use of experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of accounts	Service organisation	Audit approach
Disclosure notes on funding arrangements and actuarial present value of benefits	Hymans Robertson	We used PWC actuarial services (commissioned by the NAO) to review the national analysis of pension trends and assumptions of the various LGPS actuaries and considered the findings for potential impact on the values included within the financial statements.
Financial instrument disclosures	Redington	We reviewed the output and associated analysis to confirm the basis of the assessments appears reasonable and the disclosures are appropriate.

## Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third-party organisations that provide services to the Pension Fund that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table summarises the service organisations used by the Pension Fund and our audit approach.

Item of accounts	Service organisation	Audit approach
Investment valuation and income along with all related disclosures	Fund managers and Custodians	Substantive testing of: transactions occurring in year; income received; and valuations of investments at the year end. We reviewed Type 1 and Type 2 reports on systems used by service organisations and recorded the Council's process for obtaining assurance about key controls. We identified no matters to report.

# Audit approach and risk summary

	Audit risk/ key area of judgement	Fraud risk	Judgement	Error	Substantive audit procedures	Tests of controls	Misstatement identified	Control recommendations	Conclusion	Page ref to finding
Significant risks	Management override of controls	●	●	○	●	○	○	○	Risk satisfactorily addressed	12
	Valuation of investments within level 3 of the fair value hierarchy	○	●	●	●	○	●	○	Our work in this area is near completion. We will update members at Audit Committee and in our follow up letter	13

Significant findings

# Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

## Significant risks

### Management override of controls

#### Description of the risk

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. The unpredictable way in which such override could occur means we consider there to be a risk of material misstatement as a result of fraud and thus a significant risk on all audits.

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#### How we addressed this risk

We addressed this risk by carrying out audit work on:

- accounting estimates impacting amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements.

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#### Audit conclusion

All journals tested had a valid business purpose and were substantiated with appropriate evidence. There was no indication of material fraud or management override of controls.

One exception was noted where the ledger system did not agree with the journal upload template. This was the result of a system issue when one officer was onboarded and when reviewing or visiting journals the system would reopen the item. We are informed the officer does not have edit access when reviewing a journal and that ITGCs are operating effectively. We have confirmed that the officer was not the poster on the upload receipt and that another officer was the original poster. The original poster is an authorised preparer belonging to the PF security group as a Pensions Accountant.

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# Significant findings

The significant findings from our audit include our conclusions regarding the significant risks we identified and other key areas of judgement, which are set out in this section.

## Significant risks

### Valuation of investments within level 3 of the fair value hierarchy

#### Description of the risk

As at 31 March 2025 the Pension Fund held investments with a fair value of £342 million which were identified as level 3 (where at least one input that has an impact on the valuation is not based on observable market data). These assets account for 16.3% of the Fund's net investment assets. Inherently these assets are harder to value, as they may not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made at year end. As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances and we consider that there is an increased risk of material misstatement.

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#### How we addressed this risk

We addressed this risk by:

- agreeing holdings from fund manager reports to the global custodian's report;
- agreeing the valuation of level 3 investments to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation obtained directly from third parties;
- assessing the valuation methodology for appropriateness;
- agreeing the investment manager valuation to audited accounts or other independent supporting documentation, where available;
- where audited accounts were available, checking that they were supported by an unqualified audit opinion; and
- reviewing the most recent ISAE 3402 reports and bridging letters for fund managers to determine whether control findings might have a material impact.

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#### Audit conclusion

One level 3 asset was incorrectly assessed as level 2 despite consisting of a pooled property fund. There were no valuation issues arising.

One fund manager did not commission an ISAE 3402 report but audited accounts confirm the valuation of the fund covered the whole period and the ISAE 3402 reports of the Fund's valuer provided additional assurance. There were no exceptions identified in our review of the other ISAE 3402 reports and bridging letters which might materially impact the financial statements of the Pension Fund. We have obtained reasonable appropriate assurance that the balances and associated disclosures are not materially misstated.

# Significant findings

## Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2024/25 audit.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about accounting records and to consider eligible objections made to the accounts. We have received an objection relating to the Pension Fund's accounts and have communicated our draft views for comment to both the Pension Fund and the elector.

# Significant control deficiencies

As part of our audit, we obtained an understanding of the Pension Fund's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and determine the nature, timing, and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of the Pension Fund's internal controls, we are required to communicate to members of the Audit Committee any significant deficiencies in internal controls that we identified in during our audit.

## Deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the London Borough of Hackney's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the London Borough of Hackney's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported.

If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported.

Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

## Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency is of sufficient importance to merit the attention of members of the Audit Committee.

The significant deficiencies in the London Borough of Hackney's internal controls that we have identified as at the date of this report are in set out on the following pages.

## Other observations

We also record our observations on the London Borough of Hackney's internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

The other control deficiencies that we have identified as at the date of this report are set out in '*Appendix A: Internal control conclusions*'.

# Significant control deficiencies

## Other Observations

In our view, the deficiencies in internal control set out in this section result in a potential for financial loss, damage to reputation, or a loss of information. This may have implications for the achievement of business strategic objectives. Our recommendations should be considered for immediate action.

### 1. CedAR E5 Journals with the same journal poster and authoriser

#### Description of deficiency

Journals testing in the Council audit identified 7 instances in which the journal inputter's user ID was the same as the reviewer ID. As the Pension Fund uses the same financial system as the Council, we have also reported this control issue in the Pension Fund ACR. This was caused by a system fault in CedAR e5, where the reviewer ID overwrites the initial poster ID. We cannot ascertain how many journals overall may be impacted by this issue. There were no indications of management override of controls or fraud in the journals selected for testing because they had the same user and approver. The journal upload templates provided act as an additional level of control where the original uploader is recorded, and the CedAR journal upload receipt issued to the poster can be reviewed, however this was not consistently implemented as we noted 4 journals either did not have the receipt saved, or the upload template had not been appropriately completed to record the poster.

We understand from discussions with the council that this is a presentational issue in the CedAR e5 system. We observed in our walkthroughs that controls have been designed and implemented effectively to ensure that approvers are not able to amend posted journals. However, the system audit trail does not allow us to conclude these controls were operationally effective during the year. We understand that the Council are working to update the system in order that this glitch does not persist in the next financial year.

#### Potential effects

There is a risk that journals could be edited or manipulated, and segregation of duties controls which are largely effective could be circumvented without detection.

#### Recommendations

1. Review the reporting function in CedAR and ensure reporting accurately reflects the journal uploader, reviewers and authoriser.
2. Ensure journal upload templates are populated by those who will be manually uploading the journals and authorising to ensure consistency.
3. Ensure copies of CedAR upload receipts are embedded into journal templates and working papers to provide an appropriate auditable trail.

#### Management response

The Council is aware of a system glitch in the CedAR e5 finance system where the 'input user' field incorrectly displays the reviewer's ID instead of the original poster's ID upon review of an unposted journal. We are currently collaborating with the supplier to correct this anomaly. However, we reject the assertion that this represents a control weakness. This is solely a visual display error within CedAR e5. It has no impact on the underlying Segregation of Duties (SoD) controls. System permissions are strictly enforced: individuals with inputter roles cannot approve uploads, and authorisers cannot upload journals. Since technical roles remain separate and siloed, it is impossible to override the Segregation of Duties controls.

# Summary of misstatements

## Disclosure misstatements

We identified the following disclosure misstatements during our audit that have been corrected by management:

investment levels were incorrectly assessed for two fund managers. These are summarised below:

### BlackRock

The Pension Fund holds three investment assets with BlackRock, two of which were incorrectly classified as level 1 rather than level 2 reflective of the fund type and the classification of other similar assets. Officers reviewed these assets and agreed that level 2 is the appropriate fair value classification to be consistent with IFRS13 and their judgement for other similar funds.

- BLACKROCK ACS WLD LOW CBN SCREENED AND OPTIMSED EQUITY TRACKER FUND X2 ACC £229,863,075.68
- BLACKROCK LIFE LTD AQUILA LFE CCY HDGD MSCI £129,192,521.31

### Columbia Threadneedle Property Investments

- 8200 THREADNEEDLE PENSIONS LIMITED 8212 PROPERTY TPN PROPERTY A - £153,585,095.99 was incorrectly classified as level 2 but should be classified this as a level 3 (this was incorrectly classified in the prior year).

Officers agreed to adjust the current year disclosure and restate the prior year figures.

We will obtain written representations confirming that, after considering the unadjusted disclosure misstatements, both individually and in aggregate, in the context of the annual report and financial statements taken as a whole, no adjustments are required.

05

Fraud considerations

# Fraud considerations

We have a responsibility to plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement, whether due to fraud or error.

## Your responsibilities

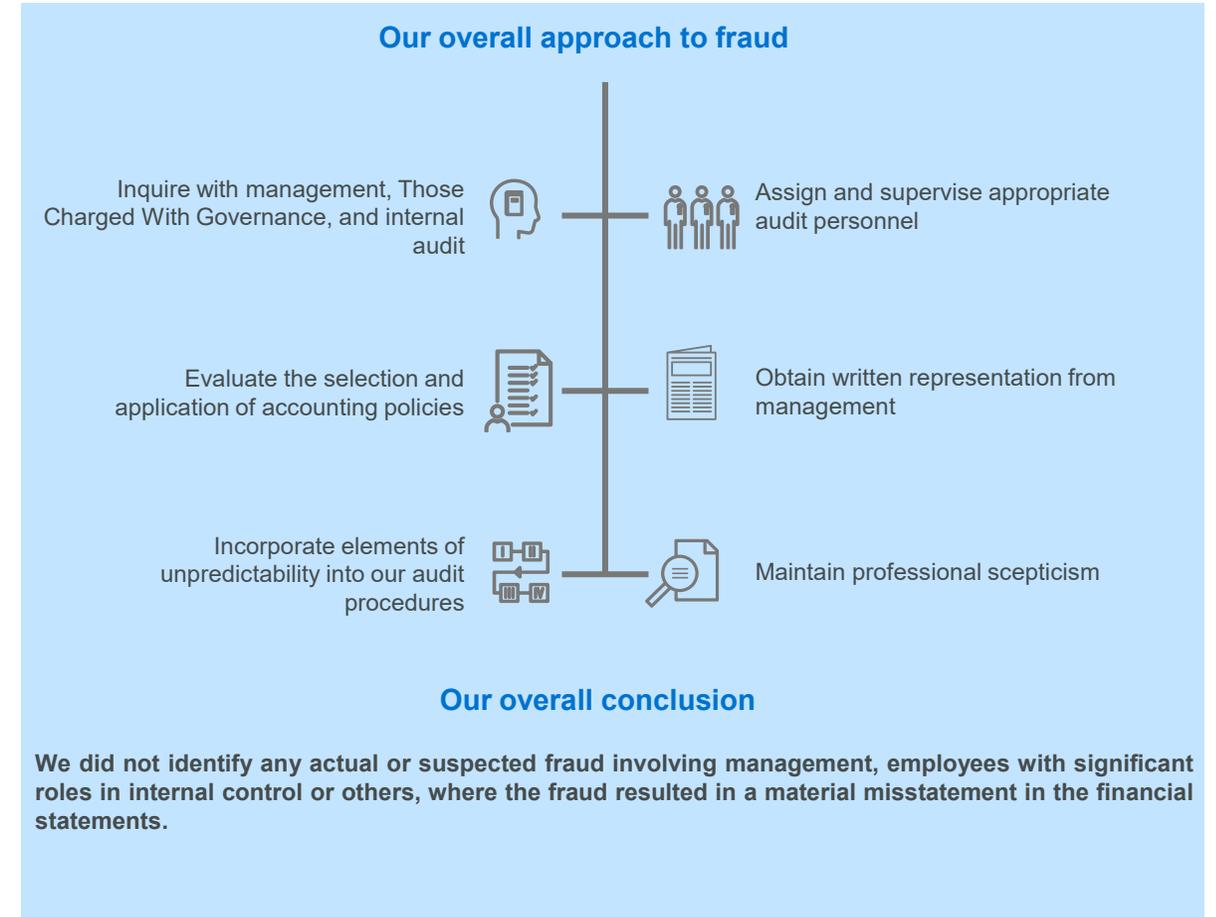
Management has primary responsibility for the prevention and detection of fraud. It is important that management, with Those Charged With Governance oversight, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating a culture of honesty and ethical behaviour which is reinforced by Those Charged With Governance's active oversight.

## Our responsibilities

We have a responsibility for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in a misstatement is intentional or unintentional. Two types of intentional misstatements are relevant to us – misstatements resulting from fraudulent financial reporting, and misstatements resulting from the misappropriation of assets.

## ISA presumed fraud risks

As set out in the 'Audit approach and risk summary' section, the risks of fraud in management override of controls were identified as significant risks.



# Appendices

A: Internal control conclusions

B: Draft management representation letter

C: Draft audit report

D: Draft consistency report

E: Confirmation of our independence

F: Other communications

G: Current year updates, forthcoming accounting and other issues

# Appendix A: Internal control conclusions

## Other deficiencies in internal control

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/ or correct potential misstatements in the financial statements; or
- a control that is necessary to prevent, detect, and/ or correct misstatements in the financial statements on a timely basis is missing.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit, we have considered the Fund's internal controls relevant to the preparation of the financial statements to design audit procedures to allow us to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal controls or to identify any significant deficiencies in their design or operation.

The matters reported in Appendix A are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and which we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in Appendix A should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have not identified any internal control observations as at the date of this report.

## Appendix B: Draft management representation letter

Forvis Mazars LLP  
3 Wellington Place,  
Leeds  
United Kingdom  
LS1 4AP  
[Date]

Dear Mark Kirkham,

### **London Borough of Hackney Pension Fund - Audit for Year Ended 31 March 2025**

This representation letter is provided in connection with your audit of the financial statements of London Borough of Hackney Pension Fund ( “the Fund”) for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

#### **My responsibility for the financial statements and accounting information**

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by applicable law.

#### **My responsibility to provide and disclose relevant information**

I have provided you with:

access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;

additional information that you have requested from us for the purpose of the audit; and

unrestricted access to individuals within the Fund you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Section 151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

I confirm that I have identified and clearly labelled any information provided to you as part of the audit that I consider legally privileged.

# Appendix B: Draft management representation letter

## **Accounting records**

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Fund and panel meetings, have been made available to you.

## **Accounting policies**

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Fund's financial position, financial performance and cash flows.

## **Accounting estimates, including those measured at fair value**

I confirm that the methods, significant assumptions and the data used by the Fund in making the accounting estimates, including those measured at fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

## **Contingencies**

There are no material contingent losses including pending or potential litigation that should be accrued where:

information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and

the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Fund have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by applicable law.

## **Laws and regulations**

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Fund has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

# Appendix B: Draft management representation letter

## **Fraud and error**

I acknowledge my responsibility as Section 151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

all knowledge of fraud or suspected fraud affecting the Fund involving:

- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.

## **Related party transactions**

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended applicable law.

I have disclosed to you the identity of the Fund's related parties and all related party relationships and transactions of which I am aware.

## **Future commitments**

The Fund has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

## **Subsequent events**

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

## Appendix B: Draft management representation letter

### **Impacts of Russian Forces entering Ukraine**

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Fund, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note 36 to the financial statements fairly reflects that assessment

### **Tariffs**

I confirm that I have carried out an assessment of the potential impact of changes in US trade policy in respect of tariffs, including the impact of reciprocal tariffs by other countries, including the impact of mitigation measures and uncertainties, and that the disclosure in the Narrative Report and the subsequent events note 36 to the financial statements fairly reflects that assessment.

### **Going concern**

To the best of my knowledge there is nothing to indicate that the Fund will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts[TAILOR AS APPROPRIATE]

### **Unadjusted misstatements**

I confirm that there were no unadjusted misstatements

Yours faithfully,

Naeem Ahmed

Group Director - Finance and Corporate Resources and Section 151 Officer

Date: [XXXX]

# Appendix C: Draft audit report

## **Independent auditor's report to the Members of London Borough of Hackney Council**

### **Report on the audit of the financial statements**

#### **Opinion on the financial statements of London Borough of Hackney Pension Fund**

We have audited the financial statements of London Borough of Hackney Pension Fund ('the Pension Fund') for the year ended 31 March 2025, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion the financial statements:

give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2025, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2025; and

have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, and taking into account the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Section 151 Officer with respect to going concern are described in the relevant sections of this report.

# Appendix C: Draft audit report

## **Other information**

The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Section 151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Section 151 Officer for the financial statements**

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and for being satisfied that they give a true and fair view. The Section 151 Officer is also responsible for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Section 151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Section 151 Officer is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

## Appendix C: Draft audit report

Based on our understanding of the Pension Fund, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, data protection, environmental protection, corruption and anti-bribery.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- gaining an understanding of the legal and regulatory framework applicable to the Pension Fund, the environment in which it operates, and the structure of the Pension Fund, and considering the risk of acts by the Pension Fund which were contrary to the applicable laws and regulations, including fraud;
- inquiring with management and the Audit and Risk Management Panel, as to whether the Pension Fund is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- reviewing relevant meeting minutes in the year;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Pension Fund which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

In addition, we evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management, Head of Internal Audit and the Audit and Risk Management Panel on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud, rests with both management and the Audit and Risk Management Panel. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

## Appendix C: Draft audit report

We are also required to conclude on whether the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom, (Revised 2024) and Supplementary Guidance Note 01, issued by the National Audit Office in November 2024.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### **Use of the audit report**

This report is made solely to the Members of London Borough of Hackney Council, as a body and as administering authority for the London Borough of Hackney Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Mark Kirkham, Partner  
For and on behalf of Forvis Mazars LLP (Local Auditor)

3 Wellington Place,

Leeds  
United Kingdom  
LS1 4AP

[Date]

# Appendix D: Draft consistency report

## Independent auditor's statement to the Members of London Borough of Hackney on the pension fund financial statements included within the London Borough of Hackney Pension Fund annual report

### Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2025 included within the London Borough of Hackney Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including material accounting policy information.

### Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of London Borough of Hackney for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

### Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of London Borough of Hackney as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of London Borough of Hackney.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of London Borough of Hackney describes the basis of our opinions on the financial statements.

### Use of this auditor's statement

This report is made solely to the Members of London Borough of Hackney, as a body and as administering authority for the London Borough of Hackney Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the Members of London Borough of Hackney those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than London Borough of Hackney and London Borough of Hackney's Members as a body, for our audit work, for this statement, or for the opinions we have formed.

[Signature]

Mark Kirkham, Partner  
For and on behalf of Forvis Mazars LLP (Local Auditor)

3 Wellington Place,  
Leeds  
United Kingdom  
LS1 4AP

[Date]

## Appendix E: Confirmation of our independence

We communicate any matters which we believe may have a bearing on the independence or the objectivity of Forvis Mazars LLP and the audit team. As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We confirm that no new threats to independence have been identified since issuing our Audit Strategy Memorandum and therefore we remain independent.

## Appendix F: Other communications

	Other communication	Response
	<b>Compliance with Laws and Regulations</b>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
	<b>External confirmations</b>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
	<b>Related parties</b>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> <li>a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and</li> <li>b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.</li> </ol>
	<b>Going Concern</b>	<p>We have not identified any evidence to cause us to disagree with the Section 151 Officer that the Pension Fund will be a going concern, and therefore we have not identified any evidence to cause us to consider that the use of the going concern assumption in preparation of the financial statements is not appropriate.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

## Appendix F: Other communications

Other communication		Response
	<b>Subsequent events</b>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
	<b>Matters related to fraud</b>	<p>Our audit was designed to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. Please refer to the section titled 'Fraud considerations' for our fraud considerations and conclusion.</p> <p>We will obtain written representations from management and, where appropriate, Those Charged With Governance, confirming that</p> <ol style="list-style-type: none"> <li>a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;</li> <li>b. they have disclosed to the auditor the results of management's assessment of the risk that the financial statements may be materially misstated as a result of fraud;</li> <li>c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving:             <ol style="list-style-type: none"> <li>i. management;</li> <li>ii. employees who have significant roles in internal control; or</li> <li>iii. others where the fraud could have a material effect on the financial statements; and</li> </ol> </li> <li>d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.</li> </ol>

# Appendix F: Other communications

Other communication	Response
 <p><b>System of Quality Management</b></p>	<p>To address the requirements of ISQM (UK) 1, our firm’s System of Quality Management team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on our firm’s System of Quality Management, including:</p> <ul style="list-style-type: none"> <li>• Ensuring there is an appropriate assignment of responsibilities under ISQM (UK) 1 and across Leadership</li> <li>• Establishing and reviewing quality objectives each year, ensuring ISQM (UK) 1 objectives align with our firm's strategies and priorities</li> <li>• Identifying, reviewing, and updating quality risks each quarter, taking into consideration a number of input sources (such as FRC / ICAEW review findings, internal monitoring findings, findings from our firm’s root cause analysis and remediation functions, etc.)</li> <li>• Identifying, designing, and implementing responses as part of the process to strengthen our firm's internal control environment and overall quality</li> <li>• Evaluating responses and remediating control gaps or deficiencies</li> </ul> <p>We perform an evaluation of our system of quality management on an annual basis. Our latest evaluation was performed as of 31 August 2024. Details of that assessment and our conclusion are set out in our 2023/2024 Transparency Report, which is available on our website <a href="#">here</a>.</p>

# Appendix G: Current year updates, forthcoming accounting & other issues

## Current and forthcoming accounting issues

### New standards and amendments

#### Effective for accounting periods beginning on or after 1 January 2019

##### *IFRS 16 Leases (Issued January 2016)*

- IFRS 16 Leases (IFRS 16) has replaced the existing leasing standard, IAS 17, and has introduced significant changes, particularly for lessees. The requirements for lessors is largely unchanged from the position in IAS 17. Lessees will need to recognise right of use assets and associated lease liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed. Subsequent to initial recognition, a service concession arrangement liability will subsequently measured following the principles set out in IFRS 16. The introduction of this standard in 2024-25 is likely to lead to significant work being required in order to identify all leases and service concession arrangements to which the Pension Funds are party to. IFRS 16 was adopted by the Code of Practice on Local Authority Accounting in 2024/25.

#### Effective for accounting periods beginning on or after 1 January 2023

##### *IFRS 18 Presentation and Disclosure in Financial Statements (Issued April 2024)*

- IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) is a new standard that replaces IAS 1 Presentation of Financial Statements. The new standard aims to increase the comparability, transparency and usefulness of information about companies' financial performance. It introduces three key new requirements focusing on the presentation of information in the statement of profit or loss and enhancing certain guidance on disclosures within the financial statements. As IFRS 18 was only issued in April 2024 it has yet to be adopted by the Code of Practice on Local Authority Accounting in 2024/25 therefore the applicability to local government is to be determined.

# Contact

## Forvis Mazars

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