

Title of Report	Auditor's Annual Report 2024-25
For Consideration By	Audit Committee
Meeting Date	16 April 2026
Classification	Open
<u>Wards Affected</u>	All
<u>Group Director</u>	Naeem Ahmed, Group Director, Finance & Corporate Resources

1. **Introduction**

- 1.1 The Auditor's Annual Report (AAR) provides a comprehensive overview of our audit activities conducted for the London Borough of Hackney ('the Council') during the 2024/25 financial year.

2. **Recommendation**

- 2.1 **The Audit Committee is recommended to note the contents of the Auditor's reports.**

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.

4. **Background**

Policy context

- 4.1 The Auditor's Annual Report (AAR) discharges 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. Auditor's Annual Report 2024/25

5.1 The audit was conducted in accordance with the requirements of the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'), and International Standards on Auditing (ISAs). The purpose of the audit is to provide reasonable assurance to users that the financial statements are free from material error. This is achieved by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2025, and of its financial performance for the year then ended. The audit reports, issued on 27 February 2026, gave an unqualified opinion on the financial statements for the year ended 31 March 2025 for the Council and the Pension Fund.

5.2 Unlike the prior year, the auditors have identified two significant weaknesses in the Council's Value for Money arrangements (see appendix 1, section 3 for further details):

- 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 draft financial statements contained misstatements that the auditors have identified and which require reporting to the Audit Committee. The specific details of all misstatements, both adjusted and unadjusted, that exceed the reporting threshold are provided in Appendix 1 on page 36. This is in addition to the [Audit Completion Report \(ACR\)](#) that was presented to the committee in February 2026.

5.4 The external auditor found no significant deficiencies in internal controls. Nonetheless, they have recommended a number of internal control enhancements to management, which are fully detailed in Appendix 1 on page 39.

- Related Parties: Two councillors failed to submit declaration forms.
- IT Controls: Inconsistencies in password length/complexity and a lack of documented user access reviews.
- System Fault: A glitch in the CedAR e5 system where the reviewer's ID overwrites the poster's ID on journals.

- 5.5 In line with group audit instructions issued by the National Audit Office (NAO), Forvis Mazars are required to complete a programme of work on the Council's Whole of Government Accounts return and report to the group auditor in line with their instructions. The NAO is yet to provide confirmation on the approach to selecting sampled components. Without this information, our auditors are unable to complete the work and issue its certificate which concludes the audit.
- 5.6 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.
- 5.7 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
- 5.8 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 The audits for 2024/25 have been successfully completed, resulting in an unqualified audit opinion for both the Council and the Pension Fund.
- 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 has set 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 if no action is taken. 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 to 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.

- 6.4 Hackney continues to hold monthly meetings with the Regulator following a self-referral and regulatory judgement. Regulator feedback from these meetings show that the Regulator is content with progress on tracking and maintaining compliance. The key area for improvement remains electrical safety.
- 6.5 A roadmap is in place for progression to a C2 rating and eventually a C1 rating. Regarding the Health and Safety Compliance areas, fire safety, asbestos, and water safety are all at 100% compliance. Challenges remain in gas safety due to a slight reduction in compliance caused by access issues, and in lift safety, where progress has regressed due to the scale and aging infrastructure. While improvements are being made, the agreed-upon target for 100% electrical safety compliance is March 2027, with a preference to achieve this target sooner.
- 6.6 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.
- 6.7 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.
- 6.8 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.

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 Local Audit and Accountability Act 2014.
- 7.3 The Council's Constitution delegates responsibility for considering the external auditor's reports to the Audit Committee. Consideration of this report is therefore in pursuance of the Committee's terms of reference and is part of the Council's fulfilment of its duties.

Appendices

- Appendix 1 - LB Hackney 2024-25 Forvis Mazars Auditor's Annual Report
 Appendix 2 - LBH 2024-25 Forvis Mazars Audit Completion Follow Up Letter
 Appendix 3 - LBH 2024-25 Forvis Mazars Audit opinion
 Appendix 4 - LBH Pension Fund 2024-25 ACR Follow Up Letter
 Appendix 5 - LBH Pension Fund 2024-25 Separate Report (Audit Opinion)
 Appendix 6 - LBH Pension Fund 2024-25 Consistency Audit Report

Background documents

None

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