

Members of the Audit Committee
London Borough of Hackney,
Hackney Town Hall,
Mare Street,
London,
E8 1EA

27 February 2026

Audit of financial statements of London Borough of Hackney Council for the year ended 31 March 2025

Update on Audit Completion Report presented 24 February 2026

Following the Audit Committee meeting on 24 February 2026, and in accordance with the requirements of the International Standards on Auditing (UK and Ireland), we are writing to confirm the resolution of the matters that were noted as outstanding in our Audit Completion Report.

Where resolutions resulted in new or updates to reported misstatements, we have provided details in a table in Appendix 1.

Matter	Update/Conclusions Reached
Expenditure Testing	<p>We have now completed work in this area.</p> <p>We noted an unadjusted projected cut-off misstatement of £10.9 million. This was not included in the ACR.</p> <p>See Appendix 1, misstatement 1.</p>
Property, Plant and Equipment	<p>We have now completed work in this area.</p> <p>We identified one further misstatement related to an incorrect indexation percentage being applied to a single class of assets.</p> <p>This resulted in an adjustment to misstatement 5 which was reported in the ACR as £28.0 million. The final adjusted misstatement resulted in PPE being overstated by £25 million. See Appendix 1, misstatement 5.</p> <p>We also reported an unadjusted error of £1.2 million in the ACR (Unadjusted Misstatement 6). Following final review, we do not consider this to be a misstatement as the carrying value of assets was within an acceptable variance from our expectation of Fair Value.</p>
Cash and Cash Equivalents	<p>We have now completed work in this area.</p> <p>We did not identify any further issues.</p>
PFI and IFRS 16 Implementation	<p>We have now completed work in this area.</p> <p>We identified that Right of Use assets and lease liabilities were understated by £17.5 million. This error has been adjusted. See Appendix 1, misstatement 4.</p>
Pensions	<p>We have now completed work in this area.</p> <p>We did not identify any further issues.</p>
HRA	<p>We have now completed work in this area.</p> <p>We did not identify any further issues.</p>

Provisions	<p>We have now completed work in this area.</p> <p>We identified that insurance premiums had been erroneously included in provisions. This resulted in an overstatement of contributions to provisions by £10.4 million and reduced the charge to provisions by the same amount within the provisions note. This disclosure error was adjusted. The total balance for provisions in the balance sheet was correct.</p>
Group and Consolidated Accounts	<p>We have now completed work in this area.</p> <p>We did not identify any further matters requiring reporting.</p>
Final technical review procedures	<p>We have completed the final reviews of the audit file as well as the second technical review of the statement of accounts.</p> <p>We identified four presentational issues that required prior period restatement:</p> <ol style="list-style-type: none"> 1. The 2023/24 CIES figures have been restated to reflect changes in the Council's organisational structure. A reconciliation of the opening and restated balances has been provided in note 49 to the accounts. 2. The 2023/24 Financial Instruments figures in note 15 (b) have been restated due to the omission of items totalling approximately £15 million. This adjustment exclusively affects this note, as the items were already correctly recorded on the balance sheet. 3. The 2023/24 Property, Plant and Equipment figures in note 13 for "Depreciation written out to the Surplus/Deficit on the Provision of Services" incorrectly included amounts that should have been written out to the Revaluation Reserve. These have now been appropriately split. 4. The 2023/24 Cash Flow Statement - Investing Activities figures in note 24 for Purchase of investments and proceeds from investments have been restated to exclude movements in Cash and Cash Equivalents (C&CE). C&CE do not meet the definition of short-term investments. This restatement has no impact on the net cash position, as the previous treatment artificially inflated both cash inflows and outflows by equal amounts. <p>We consider that appropriate amendments have been made to final accounts to resolve these issues.</p>
Events after the reporting period	<p>Subsequent events review up to the audit report signing date is complete, with no further matters noted.</p>
Whole of Government accounts	<p>Work on the Council's WGA submission has been completed in line with NAO group instructions, and we have concluded that the submission is consistent with the audited financial statement.</p>
File closure procedures	<p>We have completed our closure procedures and there are no matters to bring to your attention.</p>

We also identified three additional control recommendations during final review that were not reported in the ACR:

- i) Related Parties – incomplete declarations,
- ii) IT General Controls – Inconsistencies in passwords policies; and
- iii) IT General Controls – Lack of access review.

We have provided additional detail in the table in Appendix 2.

If you wish to discuss the points above, or any other points then please do not hesitate to contact me.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'S. Patel', enclosed in a light blue rectangular box.

Suresh Patel
Partner
Forvis Mazars LLP

Appendix 1: Misstatements identified after the ACR was issued

Unadjusted Misstatements

Unadjusted misstatements which were not previously recorded in the ACR:

	Description	Nature	Assets	Liabilities	Reserves	Income Statement
1	Dr: Reserves Cr: Other Services Expenses Cut off error misstatement Two items of expenditure totalling £435k were recorded in the 2024/25 financial year but related to the 2023/24 financial year. No accruals had been made. This resulted in a £10.9 million projected overstatement other service expenses and reserves.	Extrapolated			10,851	(10,851)

Updates to ACR adjusted misstatements:

	Description	Nature	Assets	Liabilities	Reserves	Income Statement
2	Dr: Fees, Charges and Other Service Income Cr: Reserves Updated Fees, Charges and Other Service Income testing error We noted in testing of Fees, Charges and Other Service income that income for 2023/24 had been recognised in 2024/25. We understand that the Council has a de minimis threshold for accruals in place, however, as this is not included in the accounting policies the error has been extrapolated against the total population to determine the representative error in the balance. £1,554 actual error noted. This was reported incorrectly in the ACR as £8.2 million.	Extrapolated			(9,318)	9,318
3	Dr: Creditors Cr: Usable Reserves Updated Creditors testing error The entry for misstatement #5, whereby a grant received in advance had been incorrectly classified as a short-term creditor, was incorrectly reported in the ACR. The amount was correct, but the double entry was DR CIES and CR Balance Sheet. The correct entry is DR Liabilities and CR Reserves.	Extrapolated		4,884	(4,884)	

2	Dr: Investment Properties Cr: CIES Updated Investment Properties valuations testing error Income evidence provided totalled £2,547,219, the amount used in the calculation by the external valuer was £2,457,219, resulting in understatement of £1,770k. This was incorrectly reported in the ACR. The amount was correct, but the double entry was DR CIES and CR CIES. The correct entry is DR Assets and CR Income Statement.	Extrapolated	1,770			(1,770)
Total unadjusted errors (inclusive of those previously reported in the ACR)			(1,392)	4,884	(189)	(3,303)

Adjusted Misstatements

Updates to ACR adjusted misstatements:

	Description	Nature	Assets	Liabilities	Reserves	Income Statement
3	Dr: PPE (RoU Assets) Cr: Lease Liability Market Value Leases Misstatement This adjustment corrected various errors noted in the calculation of the right of use assets and corresponding liabilities for market value leases.	Factual	17,460	(17,460)		

Adjusted misstatements which were not previously recorded in the ACR:

	Description	Nature	Assets	Liabilities	Reserves	Income Statement
4	Dr: PPE Cr: Revaluation Reserve Cr: I&E Updated Indexation Error We noted a calculation error led to an incorrect percentage being applied and the land valuations being understated by around £25.4m. The Council applied -3.41% instead of -0.03% due to a formula error. Estimated misstatement previously included in the ACR was £28.0 million.	Factual	25,352		(24,550)	(802)
Total adjusted errors (inclusive of those previously reported in the ACR)			(179,983)	(17,460)	(34,404)	231,847

Appendix 2: Control Recommendations finalised after the ACR was issued

No	Deficiency	Potential effect	Recommendation	Management response
4	<p>The Council ensures the completeness of related parties arising from councillors through two controls. The first is the statutory register of interests. The second is a specific related parties form. We identified that not all councillors completed their related parties forms during the financial statement closing process despite the efforts of the finance team to obtain these.</p>	<p>The potential effect of non-compliance from filling out the related parties declarations is that related party transactions and relationships are not disclosed in the financial statements.</p>	<p>We recommend the Council strengthens processes and controls in place to meet 100% compliance during the financial statement closing process in the filling out of related party forms by councillors.</p>	<p>Two councillors did not submit their related party forms; one was on maternity leave, and the other did not engage, indicating a minor lapse in our otherwise robust processes. Despite this, we are committed to achieving 100% compliance with the CIPFA Code of Practice going forward, ensuring all relevant relationships and transactions are fully disclosed in the financial statements.</p>
5	<p>ITGC testing of Password Security of IT systems identified inconsistencies within the policy and best practice principles relating to restricted reuse of passwords for users, password expiry timeframes and number of characters passwords.</p>	<p>There is a risk that passwords may be weaker and more susceptible to cyber-attack which would impact the operational effectiveness of the entity.</p>	<ol style="list-style-type: none"> 1. Ensure that password policy is in line with best practice standards 2. Ensure that parameters on google workspace and account sign ons are consistent with password policies. 	<p>The IT Department is currently conducting a comprehensive review of our existing password policy to ensure continued alignment with industry best practices and evolving security standards.</p> <p>Currently, our Google Workspace and Single Sign-On (SSO) protocols mandate a "Strong Password" configuration—requiring a combination of letters, numbers, and symbols—with a minimum length of nine characters. This policy also strictly prohibits password reuse and enforces Multi-Factor Authentication (MFA).</p> <p>While our current standards meet many foundational security requirements, we will be increasing the minimum password length to 12 characters. This technical modification will be applied to Google Workspace and all integrated sign-on systems to ensure consistent enforcement. These proactive measures are vital to bolstering our defence against sophisticated cyber-attacks and maintaining the integrity of our operations.</p>

<p>6</p>	<p>ITGC testing of User Access Reviews of in-scope IT systems identified that there was no implementation of the user review policy which requires System Leads to review licence access and user access requirements in line with roles. Whilst the council provided verbal assurance that these reviews were taken and there were no users with inappropriate access given on either iTrent or CedAR systems there was no formal documentation in place therefore are unable to confirm the successful implementation of this control.</p>	<p>There is a risk that users may not have their access reviewed in a timely and appropriate manner which may result in inappropriate privileges being given to individuals beyond the scope in which the access originally agreed or beyond that changes to roles would permit.</p>	<ol style="list-style-type: none"> 1. Document regular reviews of user access lists and security access levels dependent on role 2. Evidence any inquiry with other service areas as part of the process and document any actions taken in response to review 3. Ensure reviews are formally documented and signed off by the system lead in line with the Council's User Access Policy 	<p>To strengthen internal controls, the Council is transitioning from a verbal assurance model to a mandatory, documented review process for user access.</p> <p>To clarify, the existing control environment. Current protocols for initial user provisioning are comprehensive and include mandatory management authorisations and the enforcement of Least Privilege through Role-Based Access Control (RBAC). Furthermore, a strict offboarding process is in place to ensure user credentials are deactivated immediately upon termination. To enhance the current framework, the documentation of periodic access reviews will be formalised. This will ensure that any discrepancies between evolving job functions and system privileges are captured and remediated in a traceable manner.</p> <p>System Leads will be required to regularly review user access lists against current roles and responsibilities and formally sign off on these reviews. A standardised template will be introduced to record all inquiries made to other service areas and the resulting actions, such as revoking access. This new process will be incorporated into the Council's User Access Policy to guarantee that user privileges consistently align with the scope of their individual roles.</p>
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