



## **Audit & Anti-Fraud Division**

# **Internal Audit Annual Report 2025/26**

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June 2026

**Finance & Corporate Resources Directorate  
Audit & Anti-Fraud Division**

# Appendix 1 - Internal Audit Annual Report 2025/26

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# Introduction

## Purpose of this report

This report summarises the results of the work performed by Internal Audit during the financial year 2025/26. It also highlights progress made by management in implementing internal audit recommendations.

Based upon the results of this programme of work, an Audit opinion is provided on the Council's systems of risk management, governance and internal control. This Audit opinion is a key source of assurance in the preparation of the Council's Annual Governance Statement.

The work of Internal Audit helps to inform the production of the Annual Governance Statement which sets out the Council's corporate governance arrangements, attached at the end of this document as Appendix 8.

## Overview of work done

The original plan for 2025/26 included a total of 53 audits. There has been regular communication with senior management throughout the year to ensure that the audits actually undertaken continue to focus on high risk areas in the light of new and ongoing developments in the Council, and ensure the best use of our resources.

As a result of this liaison, some changes were agreed to the plan during the year as follows: -

Total number of projects per original plan	53
Audits added to the plan	01
Cancelled audits as no longer relevant	02
Deferred to 2026/27 or later	05
Total number of projects per revised plan	47
Projects completed from 2025/26 plan	33
Projects completed from 2025/26 plan to draft	8
Projects carried forward from 2024/25 plan completed	13

The majority of audits were scoped to provide assurance to management on the adequacy and effectiveness of the Council's internal control environment. Others were geared more towards the provision of specific advice and support to management to enhance the efficiency, effectiveness and economy of the services and functions for which they are responsible. Where Internal Audit identified areas for improvement, recommendations were agreed to further minimise the level of risk, all of which were agreed by management. When implemented, the actions will further enhance the control environment and the operation of the controls in practice.

## Structure of Report

This report sets out the results of the work performed as follows: -

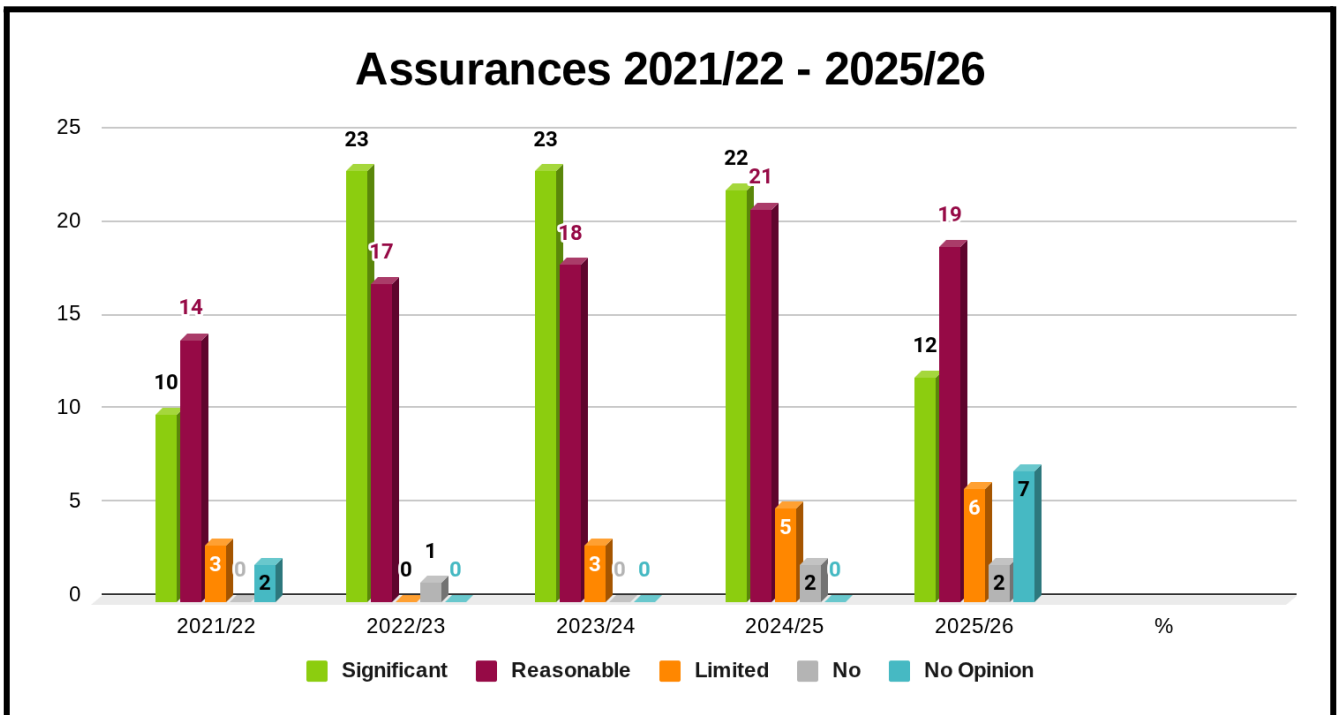
- **Overall summary** – work done by Internal Audit including an analysis of report ratings, priority of recommendations and performance of the service.
- **Key themes identified** during internal audit work in 2025/26.
- **Management response to internal audit recommendations** – providing a summary of progress with the implementation of recommendations.
- **Directorate analysis** – providing details of assurances for each directorate.

# Overall Summary

## Assurance Levels

This report has drawn on the findings and assessments included in all of the reports issued during the period. A summary of the assurances provided for audits completed during 2025/26 is provided in the table below, compared with assurances for audits completed since 2021/22. The 2025/26 data includes 13 of the 2024/25 audits which were completed during the year and not previously reported in the 2024/25 statistics.

Assurance	2025/26		2024/25		2023/24		2022/23		2021/22	
	No of Audits	%	No of Audits	%	No of Audits	%	No of Audits	%	No of Audits	%
Significant	12	31	22	44	23	52	23	56	10	37
Reasonable	19	49	21	42	18	41	17	42	14	52
Limited	6	15	5	10	3	7	0	-	3	11
No	2	5	2	4	0	0	1	2	0	-
Subtotal	39		50		44		41		27	
No Opinion Given	7		0		0		0		2	
Total	46		50		44		41		29	



The percentage of 'Significant' and 'Reasonable' assurance rated audits has slightly declined since last year (80% compared to 86%). It should also be noted that in 2021/22 the number of audit reviews completed was significantly lower than originally planned as a result of the pandemic and cyber attack. Overall, the number of reviews receiving a 'significant' or 'reasonable' assurance rating has remained relatively consistent over the 5 year period. This indicates that the level of assurance over the Council's control environment has remained stable

in recent years. When analysing the data it must be remembered that the different risks and services that Internal Audit review each year mean that this is not a like-for-like comparison. See Appendix 2 for a detailed analysis of assurances from reviews completed during 2025/26.

## Priority of Recommendations

Where Internal Audit work identifies areas for improvement, recommendations are made to manage the level of risk. These are categorised as Critical, High, Medium or Low priority. The number of each type of recommendations made during 2025/26 (and the previous year comparator) is shown in the following table:

Categorisation of Risk	Definition	2025/26	2024/25
Critical	Major issues that we consider could have a significant impact upon not only the system, function or process objectives, but also the achievement of the Council's objectives	0	0
High	Major issues that we consider need to be brought to the attention of senior management.	27	20
Medium	Important issues which should be addressed by management in their areas of responsibility.	136	138

These figures, as at 31 May 2026, do not include the recommendations from audits still in progress, including 8 draft reports.

## Internal Audit Annual Opinion

Internal audit is satisfied that sufficient audit work has been performed to enable an opinion to be given on the adequacy and effectiveness of the Council's risk, governance and control framework. In providing this opinion, it should be recognised that the assurance given represents an assessment of the audit work carried out in-year and other sources of assurance where relevant. The most that Internal Audit is able to provide is reasonable assurance that there are no major weaknesses in the system of internal control.

The audit opinion is based upon: -

- Audits undertaken during the year
- Follow up actions in respect of previous years' audits
- Any significant recommendations not accepted by management and the resulting risks
- Effects of any significant changes in the Council's objectives or systems
- Any reliance being placed upon third party assurances

Internal Audit work performed during 2025/26 supports a conclusion that there is reasonable assurance that the Council's control framework is operating effectively. In support of this conclusion: -

- Weaknesses identified in individual audits were not significant in aggregate to the overall system of internal control
- 'High' risk rated weaknesses identified during individual audits are isolated to specific systems or processes
- Appropriate remedial actions have been taken by managers during the year to implement audit recommendations and hence strengthen the Council's control framework
- A consistently low percentage of audit reviews that are rated as either 'limited' or 'no' assurance over recent years.

## **Overall Assurance**

The results of internal audit work indicate that, overall, the Council's control framework is adequate despite the considerable challenges that the Council has faced during recent years. The Council's internal control, risk management and governance environment continues to provide reasonable assurance that corporate objectives will continue to be met which is a continuation of the assessment over recent years.

The Corporate Head of Audit, Anti-Fraud & Risk Management has reviewed the internal audit work undertaken in-year and also the results of activity from recent years, as well as other supporting sources of assurance. This assessment shows that audit work has been carried out across a wide breadth of Council and partner organisation activity and the typical outcome of these reviews continues to be that a reasonable level of assurance can be taken about how our activities overall are governed and controlled. The percentage of audits receiving a significant assurance rating has declined from previous years which may represent the recent impact of considerable change and challenge, and any assessment of this must also allow for the fact that different services are reviewed each year so results are not directly comparable. However, the great majority of audit assignments result in an overall positive outcome of 'reasonable assurance' or better. It is noted that the implementation rates for addressing internal audit findings are currently much lower than our target scores. There are some pockets of poor performance, particularly among the TMOs, and it is also likely that management capacity during a period of organisational change may be relevant. Nevertheless, the overall assessment, taking all assurance sources into consideration, continues to be that a reasonable assurance conclusion can be drawn on the adequacy and effectiveness of the Council's control arrangements.

The programme of ICT internal audit reviews has been able to proceed following disruption to the scale of this work that resulted from the pandemic and cyber attack. All of the key corporate risk areas have either been subject to internal audit review or (in the case of some more recent risks) are included in the current internal audit plan. As a result there is no limitation to the scope of the overall assurance opinion.

This opinion is informed by the audit work undertaken during 2025/26 which is of sufficient quantity and breadth of coverage for me to be satisfied that this assurance statement can reasonably be taken to apply to the Council as a whole. That does not mean that there are not areas in which the governance, control and risk management arrangements should improve further, as shown by the recent Housing Ombudsman report. Relevant factors to support my conclusions on the state of the overall control environment are set out at Appendix 9, which also forms part of the Annual Governance Statement.

## **Performance and Effectiveness of Internal Audit**

Key Performance Indicators for Internal Audit have been established and targets set as part of the annual planning process. Performance against the targets set for 2025/26 is shown in Appendix 4.

The service KPI is for 80% of audits to be completed at 31 March and 100% completion by 31 May, this compares to the actual performance of 66% completed by 31 March 2026, and 87% of audits at the draft or final report stage by 31 May 2026. This compares to 80% of audits being at an equivalent stage in June 2025. It should be noted that the KPI does not account for audit work under the previous 2024/25 plan that was completed in this reporting year.

On average draft audit reports were issued within 10.6 days of completing fieldwork, against our target of 15 days.

Reasonable levels of satisfaction with audit services have been reflected in the management feedback obtained from questionnaires throughout the year, which were returned after audits

were completed. These showed that 100% of managers felt that audits were excellent, good or met expectations.

## **Conformance with Standards**

The audit service works in accordance with the requirements of the Global Internal Audit Standards (GIAS), which came into effect in April 2025, and the supplementary Local Government Application Note published by CIPFA. GIAS was in effect throughout the reporting year. A recent self-assessment of our conformance with the 200+ new standards has identified that the service generally conforms with the new requirements (the highest level of conformance that is currently available). Areas for further improvement have been identified and an action plan is in place to achieve this. Internal Auditors have updated their knowledge and skills by participating in various training activities.

An independent External Quality Assessment (EQA) is also required against the standards, to take place at least every 5 years. The most recent review (under the previous standards regime) was completed in November 2023 and concluded that the service 'generally conforms' with the previous standards requirements.

Internal Audit continues to be independently positioned within the Council with access to both the Audit Committee and Senior Management. There have not been any instances of management hindering the work of Internal Audit through this reporting year.

## **Key Themes**

Internal auditors have continued to work closely with officers during 2025/26 and have been engaged in open and challenging discussions about issues raised in Internal Audit reports. These discussions have shown good engagement from management and this has helped to ensure the outputs from Internal Audit work assist management in addressing any issues identified and adds value to the organisation. The key themes identified in 2025/26 are set out below.

## **ICT Audits**

Following significant and prolonged disruption to our ICT audit work plan in the years following the cyber attack, these audit reviews are now going ahead as planned, with 5 reports being issued during the reporting year and additional reviews also underway. Most ICT systems across the Council are operating normally, with the notable exception of the housing management system. An integrated system is in the process of being phased in which will reduce reliance on short-term interim solutions. Recoverable data across all services is now accessible. Where alternative systems remain in place so long after the event these are now considered to represent business as usual and are therefore subject to internal audit review in the usual way.

## **Key Financial Systems**

The audit of key financial systems assists the Council's external auditors with their audit planning and provides the necessary confidence that key financial controls in the fundamental systems are operating satisfactorily and support a robust internal control environment.

The Audit Plan 2025/26 included five reviews as part of the continuous assessment of different aspects of the Council's key financial systems, to enable an assurance opinion to be determined for these significant systems which are core to the Council's achievement of its objectives. The findings of audits for similar key areas undertaken in previous years are summarised below. A more detailed analysis is provided at Appendix 5.

Assurances for Key Financial Systems	2025/26	2024/25	2023/24	2022/23	2021/22
	No. Audits	No. Audits	No. Audits	No. Audits	No. Audits
Significant	4	3	4	7	0
Reasonable	1	3	3	3	0
Limited	0	0	0	0	0
No	0	0	0	0	0
N/a	0	0	0	0	0
<b>Total</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>10</b>	<b>0</b>

## Risk Management

Internal Audit planning continues to be heavily informed by the Council's risk management processes, not only by being embedded in the production of the Annual Audit Plan but also as part of the scoping and execution of each individual audit. In preparing the Internal Audit Annual Plan, the Council's corporate and directorate risk registers are used to ensure that there is focus on those areas where there is significant risk to the Council's achievement of its objectives. Each area of activity is evaluated against the relevant risk register assessment to identify the impact and likelihood of concerns that management have identified, including any existing or anticipated material changes to systems, legislation, resources, etc. The previous audit assurance rating (from the last audit review) and the system's financial value is also considered. When scoping each audit and producing the terms of reference, the auditors refer to the directorate or divisional risk registers to ensure that key risks are identified and considered and that no major risks are missed out.

Regular communication has been undertaken with the Corporate Risk Manager. The Corporate Risk Manager sits with the Internal Audit Team and regularly contributes at Internal Audit meetings to ensure a clear linkage is achieved between management of risks and internal audit, and to help promote the importance of effective internal controls across the Council.

The Corporate Risk Manager is informed of all 'high' priority recommendations so that these can be taken into account as part of the regular review of the Council's risk registers.

## Management's Response to Recommendations

### Implementation of agreed audit recommendations

In order to ensure that managers are responsive to addressing identified system weaknesses and that the Council's control framework is continuously being strengthened, progress with implementing agreed recommendations is tracked. The status of high priority recommendations due for implementation by 31 March 2026 are shown below:

## High Priority Recommendations

Directorate	Implemented (including no longer relevant)	Partially Implemented*	Not implemented/No response	Not Yet Due	Total*
Adults, Health & Integration	2	0	0	0	2
Chief Executives	2	1	1	0	4
Children & Education (excl Schools)	1	0	0	1	0
Housing, Climate, & Economy	3	8	3	3	14
Corporate/Cross-Cutting	1	1	0	0	2
Finance & Corporate Resources	3	0	0	0	3
ICT	1	3	0	0	4
<b>Total number</b>	<b>13</b>	<b>13</b>	<b>4</b>	<b>0</b>	<b>29</b>
<b>Percentage (%)*</b>	<b>45%</b>	<b>45%</b>	<b>10%</b>	<b>n/a</b>	<b>100%</b>

\*Does not include Not Yet Due

The target for 2025/26 is for 90% of high priority recommendations to be implemented by the agreed timescale. The percentage currently stands at 45% fully implemented and 45% partially implemented. This compares with 97% fully implemented and 3% partially implemented in 2023/24, and 90% (full and partial) in 2022/23.

## Medium Priority Recommendations

Of the 187 'Medium' priority recommendations followed up 71% were assessed as implemented and 9% partially implemented. Details are shown in Table 7. It should be noted that the outstanding recommendations listed against HCE include a significant number that concern TMO audit reviews.

Directorate	Implemented /No longer relevant	Partially Implemented	Not implemented /No Response	Not yet due	Total*
Adults, Health & Integration	16	2	0	0	18
Chief Executive's	15	3	1	2	19
Children & Education	16	3	10	4	29
Housing, Climate & Economy**	19	3	21	0	43
Finance & Corporate Resources	34	3	0	0	37
ICT	24	3	6	0	33
Corporate	8	0	0	0	8
<b>Total number</b>	<b>132</b>	<b>17</b>	<b>38</b>	<b>6</b>	<b>187</b>
<b>Percentage (%)</b>	<b>71%</b>	<b>9%</b>	<b>20%</b>	<b>n/a</b>	<b>100%</b>

\* Does not include "Not Yet Due."

\*\*Includes 17 recommendations concerning TMOs that are either partially implemented or no response

Table 7

## Directorate Analysis

The assurance ratings for the audits completed during 2025/26 (i.e. 33 from the 2025/26 audit plan and also 13 listed on the 2024/25 plan that were completed during this reporting year) are summarised in the table below (Appendix 5 provides definitions of the assurance ratings).

Directorate	Significant	Reasonable	Limited	No	No Opinion or N/A	Total	2025/26 Overall Assurance	2024/25 Overall Assurance
Cross Cutting	-	-	1	-	3	4	Limited	Reasonable
Children & Education	1	3	-	-	2	6	Reasonable	Reasonable
Adults, Health & Integration	2	3	-	-	-	5	Significant/Reasonable	Significant
Housing, Climate & Economy	-	5	2	1	-	8	Reasonable	Reasonable
Chief Executives	-	1	1	-	1	3	Reasonable	Reasonable
Finance & Corporate Resources	2	1	-	-	-	3	Significant	Significant
ICT	-	2	2	-	1	5	Reasonable/Limited	Reasonable
Schools	7	4	-	1	-	12	Significant	Reasonable
<b>Total</b>	<b>12</b>	<b>19</b>	<b>6</b>	<b>2</b>	<b>7</b>	<b>46</b>	<b>Reasonable</b>	<b>Significant/Reasonable</b>

*N.B. This should be read with caution as the same areas are not audited each year.*

## Schools and Children's Centres

Hackney Schools are audited in rotation and on a risk basis. During the year, 12 schools were reviewed. Of these, 7 were given 'Significant' assurance, 4 were assessed as 'Reasonable' and one was assessed as 'No assurance'. The general direction of travel has continued to be positive. There were 5 high priority and 44 medium priority recommendations made to management.

Hackney Education, within the Children's and Education Directorate, receives reports on the outcomes of school audits. Progress with the implementation of agreed recommendations is routinely monitored and communicated to Hackney Education management. The table below provides an analysis of the common high and medium priority issues emerging from the school audits arising from the 2025/26 internal audit plan.

Risk Area	Number of high priority issues	Number of medium priority issues
<b>Governance Issues</b> (approved procedures, register of interests, Terms of Reference and whistleblowing arrangements)	-	11
<b>Budgets</b> (planning, monitoring, reporting, budget setting & approval)	2	4
<b>Administration and management of monies/bank account</b> (includes petty cash arrangements and voluntary fund)	1	5
<b>Purchasing arrangements</b> (includes supplier arrangements, selection, use of purchase orders and contractor arrangements)	0	11
<b>Safeguarding of assets</b> (including asset registers and insurance)	-	8
<b>Payroll issues</b> (including IR35 & self employment)	-	8
<b>Income</b>	2	7
<b>Total</b>	<b>5</b>	<b>54</b>

The table below provides an overview of the implementation of recent Schools' recommendations.

### High and Medium Priority Recommendations

Recommendation Priority	Implemented (including no longer relevant )	Partially Implemented*	Not implemented/ No response	Not Yet Due	Total*
High	9	6	1	0	16
Medium	68	14	21	5	103
<b>Total number</b>	<b>77</b>	<b>20</b>	<b>22</b>	<b>5</b>	<b>119</b>
<b>Percentage (%)*</b>	<b>65%</b>	<b>17%</b>	<b>18%</b>	<b>n/a</b>	<b>100%</b>

\*Does not include Not Yet Due

## Detailed Analysis of Internal Audit Reviews 2025/26

Internal Audit Annual Plan Progress to 31 March 2026 (including 2024/25 audits completed in the current year)					
Code	Description	High Priority	Medium Priority	Audit Assurance	Status
<b>2024/25 Audits</b>					
2425LBH01	AGS Coordination 2024/25			n/a	AGS Report
2324LBH02	Organisational Culture				WiP
2425HR01	LBH Recruitment & Retention / Workforce	3	2	Limited	Final Report Issued
2425AHI01	Care Provider Capacity - Fragility of the Care Provider market	0	4	Reasonable	Final Report Issued
2425AHI05	Collection of Care Charges	1	2	Reasonable	Final Report Issued
2425FCR07	Grant Monitoring	0	4	Reasonable	Final Report Issued
2425FCR09	Pensions - Investments	0	0	Significant	Final Report Issued
2425ICT02	Telephony & Network Connections	2	8	Limited	Final Report Issued
2425ICT04	Synergy	0	6	Reasonable	Final Report Issued
2425ICT05	Disaster Recovery and Backup Arrangements			Draft	Draft Report Issued
2425ICT06	Change Management	2	2	Limited	Final Report Issued
2425CE05	Children with Disabilities	0	0	Significant	Final Report Issued
2425CHE01	Housing Legal Disrepair	3	3	Limited	Final Report Issued
2425CHE04	Leaseholder Major Works Debt Recovery	4	2	No Assurance	Final Report Issued
2425SCH01	Clapton Park CC	0	3	Significant	Final Report Issued
<b>2025/26 Audits</b>					
<b>Corporate / Cross-Cutting</b>					
2526LBH01	AGS Coordination 2025/26			n/a	Completed
2526LBH02	Climate Change/Zero Tolerance	1	4	Limited	Final Report Issued
2526LBH03	Council Owned Companies				WiP
2526LBH04	Grant Certifications			n/a	Completed
<b>Chief Executive's</b>					

2526CEX01	Establishment Control	0	4	Reasonable	Final Report Issued
2526CEX02	Organisational Development				Deferred
2526CEX03	Grievances				Deferred
2526CEX04	Strategic Delivery Team - Disbursement of Funds				Deferred
2526CEX05	Voluntary & Community Sector - Advisory			n/a	Completed for 2025/26
<b>Adults, Health &amp; Integration</b>					
<b>Adults/Public Health</b>					
2526AHI01	Mortuary	0	2	Significant	Final Report Issued
2526AHI02	Suicide Prevention				Deferred to 2026/27
2526AHI03	Safeguarding Provisions within Contracted Services			Draft	Draft Report Issued
2526AHI04	Shared Lives	0	2	Significant	Final Report Issued
2526AHI05	MHRA National Patient Safety Alerts			Draft	Draft Report Issued
2526AHI06	Public Health - Partnership relationship between LBH & City of London	0	5	Reasonable	Final Report Issued
<b>Finance &amp; Corporate Resources</b>					
<b>Financial Management</b>					
2526FCR01	Accounts Payables	0	1	Significant	Final Report Issued
2526FCR02	Accounts Receivables			Draft	Draft Report Issued
2526FCR03	Treasury Management			Draft	Draft Report Issued
<b>Revenues &amp; Benefits</b>					
2526FCR04	Council Tax				WiP
<b>ICT</b>					
2526ICT01	Records Retention				WiP
2526ICT02	3rd Party ICT Security				Final ToR Issued
2526ICT03	Business Continuity (ICT)			Draft	Draft Report Issued
2526ICT04	Academy	0	4	Reasonable	Final Report Issued
2526ICT05	Licence Management				WiP
2526ICT06	Device Management				WiP

2526ICT07	Follow-up of Actions			n/a	Completed
<b>Children &amp; Education</b>					
<b>Children &amp; Families</b>					
2526CE01	Short Breaks for Children with Disability	1	2	Reasonable	Final Report Issued
2526CE02	Supporting Families Programme Grant			n/a	Completed
<b>Education &amp; Schools</b>					
2526CE03	Permanent Exclusions			Draft	Draft Report Issued
2526CE04	Unregistered Settings	0	5	Reasonable	Final Report Issued
2526CE05	Free School Meals			Draft	Draft Report Issued
2526CE06	School Thematic Audit - Corporate Services Support	0	3	Reasonable	Final Report Issued
2526CE07	Schools Overview Report 2024/25	0	3	n/a	Final Report Issued
<b>Schools</b>					
<b>Primary Schools &amp; Children's Centres</b>					
2526SCH01	Ann Taylor Children's Centre	1	3	Reasonable	Final Report Issued
2526SCH02	Berger Primary School	0	3	Significant	Final Report Issued
2526SCH03	Blossom Federation - Daubeney, Seabright, & Lauriston Primary Schools	0	1	Significant	Final Report Issued
2526SCH04	Leap Federation - Gayhurst, Kingsmead, & Mandeville Primary Schools	0	2	Significant	Final Report Issued
2526SCH05	Oldhill Community Primary School	0	0	Significant	Final Report Issued
2526SCH06	Princess May Primary School			Draft	Draft Report Issued
2526SCH07	Sir Thomas Abney Primary School	0	0	Significant	Final Report Issued
2526SCH08	St. Dominic's Primary School	1	1	Reasonable	Final Report Issued
2526SCH09	St. Mary's CoE Primary School	0	1	Significant	Final Report Issued
2526SCH12	Queensbridge Primary School	3	17	No Assurance	Final Report Issued
<b>Secondary Schools</b>					

2526SCH10	Our Lady's Catholic High School	0	7	Reasonable	Final Report Issued
2526SCH11	Yesodey Hatorah Senior Girls School	0	9	Reasonable	Final Report Issued
<b>Special Schools</b>					
<b>Housing, Climate &amp; Economy</b>					
<b>Housing</b>					
2526CHE01	Complaints Handling - Follow Up				Deferred (2026/27 Housing Improvement Plan Audit)
2526CHE02	Lordship TMO	0	3	Reasonable	Final Report Issued
2526CHE03	Wyke TMO				Deferred
2526CHE04	TMO Oversight	3	5	Limited	Final Report Issued
2526CHE05	Housing Repairs				Deferred (2026/27 Housing Improvement Plan Audit)
2526CHE06	Temporary Accommodation Income Collection	0	4	Reasonable	Final Report Issued
<b>Environment &amp; Climate Change</b>					
2526CHE07	Building Control Service	1	0	Reasonable	Final Report Issued
<b>Regeneration</b>					
2526CHE08	Private Rented Sector - Incentive Payments	1	3	Reasonable	Final Report Issued
2526CHE09	Hackney Living Rents	0	6	Reasonable	Final Report Issued

\* ToR - Terms of Reference

\* WiP - Work in Progress

<b>2025/26 Internal Audit Annual Plan Cancelled/Deferred at 31 May 2026</b>			
	<b>Cancelled reviews</b>	<b>Reason for Cancellation</b>	<b>Assurance concern identified?</b>
2425ICT08	Housing Repairs	Replaced by Housing Improvement Plan audit (26/27)	N/A
2425AHI06	Complaints Handling - Housing	Replaced by Housing Improvement Plan audit (26/27)	N/A
	<b>Postponed reviews</b>	<b>Reason for Deferral</b>	
2526CEX02	Organisational Development	Management Request - Engaging with Workforce to develop the People & OD Strategy	N/A
2526CEX03	Grievances	Management Request - Transformation Programme	N/A

## Appendix 2

2526CEX04	Strategic Delivery Team- Disbursement of Funds	Management Request - Change of key officer	N/A
2526AHI023	Suicide Prevention	Internal Audit Capacity	N/A
2526CHE03	Wyke TMO	Management Request - Absence of key staff	N/A
	<b>Additional reviews</b>	<b>Reason for Addition</b>	
2425CHE09	Queensbridge Primary School	Management Request	N/A

## Definitions of Assurance Levels

The **Overall Assurance** given in respect of an audit is categorised as follows:

Level of assurance	Description	Link to risk priorities
<b>Significant</b>	Our work found some low impact control weaknesses which, if addressed, would improve overall control. However, these weaknesses do not affect key controls and are unlikely to impair the achievement of the objectives of the system. Therefore we can conclude that the key controls have been adequately designed and are operating effectively to deliver the objectives of the system, function or process.	There are two or less medium-rated issues or only low rated or no findings to report.
<b>Reasonable</b>	There are some weaknesses in the design and/or operation of controls which could impair the achievement of the objectives of the system, function or process. However, either their impact would be less than critical or they would be unlikely to occur.	There is no more than one high priority finding and/or a low number of medium rated findings. However, where there are many medium rated findings, consideration will be given as to whether the effect is to reduce the assurance to Limited.
<b>Limited</b>	There are some weaknesses in the design and / or operation of controls which could have a significant impact on the achievement of key system, function or process objectives but should not have a significant impact on the achievement of the Council's objectives. However, there are discrete elements of the key system, function or process where we have not identified any significant weaknesses in the design and / or operation of controls which could impair the achievement of the objectives of the system, function or process. We are therefore able to give limited assurance over certain discrete aspects of the system, function or process.	There are up to three high-rated findings. However, if there are three high priority findings and many medium rated findings, consideration will be given as to whether in aggregate the effect is to reduce the opinion to No assurance.
<b>No</b>	There are weaknesses in the design and/or operation of controls which [in aggregate] have a significant impact on the achievement of key system, function or process objectives and may put at risk the achievement of the Council's objectives.	There are a significant number of high rated findings (i.e. four or more).

## Internal Audit Performance 2025/26

Objective	KPIs	Targets	Actual
<p><b>Cost &amp; Efficiency</b></p> <p><i>To ensure the service provides Value for Money</i></p>	<p>1) Percentage of annual plan completed by 31 March</p> <p>2) Percentage of annual plan completed by 31 May</p> <p>3) Average number of days between the end of fieldwork to issue of draft report</p>	<p>1) 80%</p> <p>2) 100%</p> <p>3) 15 working days</p>	<p>1) 66% complete or at draft report stage (31 March 2026).</p> <p>2) 87.3% complete or at draft report stage as at 31 May 2026. This compares to 80% at 31 May 2025.</p> <p>3) 10.6 days</p>
<p><b>Quality</b></p> <p><i>To ensure recommendations made by the service are agreed and implemented</i></p>	<p>1) Percentage of significant recommendations made which are agreed</p> <p>2) Percentage of agreed high and medium recommendations which are implemented in agreed timescales</p>	<p>1) 100%</p> <p>2) 90%</p>	<p>1) 100%</p> <p>2) High - 45% - fully implemented and 45% partially implemented.</p> <p>Medium - 71% fully implemented and 9% partially implemented (as at 31 March 2026)</p>
<p><b>Client Satisfaction</b></p> <p><i>To ensure that clients are satisfied with the service and consider it to be good quality</i></p>	<p>1) Results of Post Audit Questionnaires</p>	<p>1) Responses meeting or exceeding expectations</p>	<p>1) 100% met expectations (54% excellent, 41% good and 5% met expectations)</p>

## Key Financial Systems Analysis of Audit Findings

System		Internal Audit Findings				
		2025/26	2024/25	2023/24	2022/23	2021/22*
Main Accounting System/General Ledger			Significant	Significant	Reasonable	N/a
Capital Asset Accounting/Capital Programme		N/a	Significant	N/a	N/a	N/a
Treasury Management		Significant	N/a	N/a	Significant	N/a
Pensions - Investments		Significant	Significant	WiP	Significant	N/a
Cash Receipting/Banking			Significant - Bank Reconciliations	N/a	Significant Banking - Refund of Income	N/a
VAT Compliance			N/a	Reasonable		
Commercial Property			Reasonable - Commercial Voids	Reasonable - Income	N/a	N/a
Procurement			Reasonable - The Council Readiness for the Procurement Act 2023	Reasonable	Significant Supplier Set up on Cedar	N/a
NNDR	Billing		N/a	N/a	Significant	N/a
	Valuation, Liability & Collection		N/a	N/a	Significant	N/a
	Liability – Charitable Relief		N/a	N/a	Significant	N/a
	Liability – Empty Rating		N/a	N/a	Significant	N/a
	Recovery & Enforcement		N/a	N/a	Significant	N/a
Housing Benefit	Benefit Application		N/a	N/a	N/a	N/a
	Overpayments		N/a	N/a	N/a	N/a
	Reclaim of Grants		N/a	N/a	N/a	N/a
	Benefits Admin		N/a	N/a	N/a	N/a
	Appeals		N/a	N/a	N/a	N/a
	Reconciliations		N/a	N/a	N/a	N/a

	CTRS		N/a	N/a	N/a	N/a
Acco unts Paya ble	Central Systems	Significant	N/a	Significant	Significant	N/a
	Directorate Systems		N/a	N/a	N/a	N/a
Payro ll	Overall (key controls)		N/a	N/a	N/a	N/a
	Starters and Leavers	Reasonable - Establishment Control	N/a	N/a	N/a	N/a
	Recruitment & Retention		Reasonable	N/a	N/a	N/a
	Matrix Contract		WiP	Significant	N/a	N/a
	Computer System		N/a	N/a	N/a	N/a
	Processing Payments	Significant - Accounts Payables		N/a	N/a	N/a
	Deductions			N/a	N/a	N/a
	Equal Pay	Reasonable - Honorary & Market Supplements	Reasonable	Significant	N/a	N/a
	Payroll Tax Management		N/a	N/a	Significant IR35	N/a
Acco unts Recei vable	Billing		N/a	N/a	Reasonabl e	N/a
	Collection	Draft	N/a	N/a		N/a
Coun cil Tax	Tax Setting		Reasonable -Discounts & Exemptions		Reasonabl e	N/a
	Billing			N/a		
	Valuation, liability, collection			N/a		
	Discounts and Exemptions			N/a		
	Recovery			N/a		
	Reconciliations			N/a		

\*Audits deferred 2021/22 as a result of the cyber attack that took place in October 2020 which rendered many systems inaccessible



**London Borough of Hackney**

# **Internal Audit Charter**

**June 2026**

# Internal Audit Charter

## 1. Introduction

- 1.1 This Charter sets out the purpose, authority, and responsibility of the Council's Internal Audit function, in accordance with the UK Global Internal Audit Standards (GIAS). The Charter will be reviewed annually and presented to the Audit Committee for final approval.
- 1.2 Terms used throughout this Charter equate to the following Hackney parties:
- |                       |  |
|-----------------------|--|
| The Board             | The Audit Committee                        |
| Senior Management     | Corporate Leadership Team                  |
| Chief Audit Executive | Corporate Head of Audit, Anti-Fraud & Risk |

## 2. Mission, Definition and Core Principles

- 2.1 The Mission of Internal Audit is to “strengthen Hackney’s organisational ability to create, protect and sustain value by providing the board and management with independent risk-based and objective assurance, advice, insight and foresight”. The purpose of the service is to enhance:
- The likelihood that Hackney successfully achieves its objectives;
  - Governance, risk management and control processes;
  - Decision making and oversight;
  - Reputation and credibility with our stakeholders; and
  - Our ability to serve the public interest.

We will apply the following key principles to achieve these objectives:

1. Ensure that our work is undertaken by competent professionals who work in conformance with the Global Internal Audit Standards (GIAS);
  2. Internal Audit will be independently positioned within the Council, with direct accountability to the board (Audit Committee);
  3. Internal Auditors will be free from undue influence and will be committed to making objective assessments.
- 2.2 Internal Audit is defined by the GIAS as “*an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.*”
- 2.3 Internal Audit will adhere to the mandatory elements of GIAS. The Chief Audit Executive will report to the Audit Committee and senior management regarding conformance with the standards, which will be assessed through a quality assurance and improvement programme. Key elements of compliance are as follows:
- Demonstrate integrity
  - Demonstrate competence and due professional care
  - Be objective and free from undue influence, i.e. be independent
  - Be aligned with the strategies, objectives and risks of the organisation
  - Be appropriately positioned in the organisation & adequately resourced
  - Demonstrate quality and continuous improvement

- Communicate effectively
- Provide risk based assurance
- Be insightful, proactive and future-focused
- Promote organisational improvement

### **3. Internal Audit Mandate**

- 3.1. In a local authority internal audit provides independent and objective assurance to the organisation, its elected members, senior management and in particular to the Chief Financial Officer to help them discharge their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.
- 3.2. In addition, the Accounts and Audit Regulations (2015) specifically require an internal audit function and state that a relevant body must 'undertake an effective internal audit to evaluate the effectiveness of its risk management, control, and governance processes taking into account public sector internal auditing standards or guidance'. The standards for proper practices in relation to internal audit are laid down in the GIAS.
- 3.3. The Council's Financial Procedure Rules (FPR 4) state "a continuous internal audit, under the independent control and direction of the Group Director, Finance and Corporate Resources, shall be arranged to carry out an examination of accounting, financial and other operations of the Council."
- 3.4. Significant changes in circumstances may require discussions between the Chief Audit Executive, Audit Committee, and Senior Management to ensure that Internal Audit continues to operate under an effective mandate. Circumstances could include major changes to GIAS, organisational restructure or changes to Council strategies and objectives.

### **4. Authority and Access to Records**

- 4.1. In undertaking their duties and responsibilities, auditors and investigators assigned to the Audit and Anti-Fraud Division shall be entitled to have full access to all of the Council's data, records, cash, stores, property, assets, personnel and information, whether manual or computerised, that it considers necessary to fulfill its responsibilities. Audit staff may enter Council property and have unrestricted access to all locations and officers where necessary, on demand, and without prior notice. Council staff are expected to provide every possible assistance to facilitate the progress of audits and investigations.
- 4.2. Access rights apply equally to third parties and organisations, as permitted through the associated contract and partnering arrangements. Right of access to other bodies funded by the Council should be set out in the conditions of funding.
- 4.3. The Internal Audit function will consider all requests from the external auditors for access to any information, files or working papers obtained or prepared during audit work that have been finalised, which the external auditor would need to discharge their responsibilities.

- 4.4. All records, documentation and information accessed in the course of undertaking audit reviews shall be used solely for that purpose. All audit staff are responsible for maintaining the confidentiality of information received in the course of their work.

## **5. Internal Audit Responsibilities**

### **5.1 Ethics and Professionalism**

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the Council and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the Council.
- Report organisational behavior that is inconsistent with the Council's ethical expectations, as described in applicable policies and procedures.

### **5.2 Objectivity**

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for LB Hackney or its affiliates without authorisation (e.g. election duties).
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any Council employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### **5.3 Managing the Internal Audit Function**

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of any resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Hackney's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Audit Committee and senior management periodically and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact the Council and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.

- Ensure adherence to the Council's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.

#### **5.4 Communication with the Audit Committee and Senior Management**

The chief audit executive will report periodically to the Audit Committee and senior management regarding:

- The internal audit function's mandate.
- The Internal Audit Strategy and Charter and any amendments to them, and ensure that these are approved by the Audit Committee.
- The internal audit plan and performance relative to its plan.
- An Annual Report and Annual Audit Opinion which is used to inform the Council's Annual Governance Statement and which concludes on the overall adequacy and effectiveness of the framework of governance, risk management and control. The annual report includes:
  - Internal audit budget.
  - Significant revisions to the internal audit plan and budget.
  - Potential impairments to independence, including relevant disclosures as applicable.
  - Results from the quality assurance and improvement program, which include the internal audit function's conformance with GIAS and action plans to address any deficiencies and opportunities for improvement.
  - Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of the Council's strategic objectives.
  - Results of assurance and advisory services.
  - Resource requirements.
  - Management's responses to risks that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

## 6. Oversight

6.1 The Audit Committee's responsibilities and requirements of Internal Audit are set out in the Audit Committee Terms of Reference as follows:

- (a) To approve the Internal Audit Charter and Strategy.
- (b) To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- (c) To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- (d) To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- (e) To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.
- (f) To consider reports from the Chief Audit Executive on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - 1. Updates on the work of internal audit, including key findings, issues of concern, and action in hand as a result of internal audit work.
  - 2. Regular reports on performance results.
  - 3. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
- (g) To consider the Head of Internal Audit's annual report:
  - 1. The statement of the level of conformance with the GIAS and Local Government Application Note, and the results of the Quality Assurance and Improvement Programme that supports the statement. These will indicate the reliability of the conclusions of the internal audit function.
  - 2. The opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and control, together with the summary of the work supporting the opinion. These will assist the committee in reviewing the Annual Governance Statement.
- (h) To consider summaries of specific internal audit reports as requested.
- (i) To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be

unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

- (j) To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- (k) To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
- (l) The Head of Internal Audit must also establish effective communication with the Chair of the Audit Committee and the Chief Executive, and have unrestricted lines of communication with them if circumstances require.

## **7. Management responsibilities, the extent of Internal Audit work and Limitations**

- 7.1 It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management's responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.
- 7.2 Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.'
- 7.3 There are inherent limitations in any system of internal control and thus errors or irregularities may occur and may not be detected by internal audit's work. When undertaking audit reviews, internal audit will provide management with comments and report on failures or weaknesses in internal control systems, together with recommendations for remedial action. It remains a management responsibility to maintain an effective system of internal control. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
- 7.4 The scope of Internal Audit work covers the entire framework of governance, risk management and control for the Council. It also covers the entire breadth of the organisation, including all of the Council's activities, assets, and personnel. Internal audit activities also encompass, but are not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes.
- 7.5 Where appropriate, Internal Audit may undertake consulting work for the benefit of the Council. Consultancy is defined as "Advisory and related client service activities, the

nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include advice, facilitation, and training". Internal Audit does not assume management responsibility when providing advisory services. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management. Consultancy engagements are included in the annual audit plan, which is agreed annually by the Audit Committee, and any significant variation to the plan is reported to the Committee.

- 7.6 Internal Audit may also provide assurance to the Council on third party operations (such as contractors and partners) where this has been provided for as part of the contract.

## **8. Independence**

- 8.1 The Chief Audit Executive is line managed by the Chief Financial Officer and has free and unfettered access to the following:
- Group Director, Finance & Corporate Resources (Chief Financial Officer)
  - Chief Executive
  - Chair of the Audit Committee
  - Monitoring Officer
  - Any other member of the Council Leadership Team
- 8.2 The Chief Audit Executive will notify the Audit Committee of any impairment to Internal Audit independence, including any inappropriate attempt to influence the scope of internal audit work, the performance of assignments, or the reporting of outcomes. Internal Auditors will report any impairment to their independence or objectivity to the Corporate Head of Audit, Anti-Fraud, and Risk Management.
- 8.3 All Council and agency staff working in the Internal Audit and Investigation Teams are required to make an annual declaration of interest to ensure that auditors' objectivity is not impaired and that any potential conflicts of interest are appropriately managed. Auditors are also frequently rotated to prevent over-familiarity or complacency which could influence objectivity. In addition, stringent procedures are in place relating to the acceptance of gifts and hospitality and the prevention of bribery.
- 8.4 Internal Audit may also provide consultancy services, such as providing advice on implementing new systems and controls. Any significant consulting activity not already included in the audit plan and which might affect the level of assurance work undertaken will be reported to the Audit Committee. To maintain independence, any audit staff involved in significant consulting activity will not be involved in the audit of that area for at least 12 months.
- 8.5 Internal Audit must remain independent of the activities that it audits to enable auditors to make impartial and effective professional judgements and recommendations. Internal auditors have no operational responsibilities or authority over any of the activities audited.

- 8.6 The responsibilities of the Chief Audit Executive include risk management and counter-fraud. To maintain independence in these areas, their role, and that of the team, is clearly defined. The Corporate Risk Manager within the Audit Service has a coordinating role and provides support and advice for the maintenance of the risk registers and the development of the Council's risk framework, including revising the Risk Strategy and assisting directorates with reviewing their risks. The CAE also oversees the process to draft the Council's Annual Governance Statement. This is a review of the evidence provided by all directorates and services to demonstrate compliance with the governance arrangements and highlight any notable concerns, and represents a reflection of evidence and views from across the organisation. The Statement is reviewed by senior management before being finalised. In order to provide the necessary safeguards as set out in GIAS standard 7.1, where the Chief Audit Executive has roles beyond internal auditing, when audits are conducted in these areas, the Chief Audit Executive, will remove themselves from the review process of these audits, and all findings and draft reports will be shared at their conclusion with the CAE and the Group Director, Finance & Corporate Resources.
- 8.7 Internal Audit is involved in the determination of its priorities in consultation with those charged with governance. Accountability for the response to the advice and recommendations of Internal Audit lies with management. Managers must either accept and implement the advice and recommendations, or formally reject them accepting responsibility and accountability for doing so. When the Corporate Head of Audit, Anti-Fraud and Risk Management concludes that management has accepted a level of risk that may be unacceptable to the Council, they must discuss the matter with senior management. If the Corporate Head of Audit, Anti-Fraud and Risk Management determines that the matter has not been resolved, the matter will ultimately be communicated to the Audit Committee.

## **9. Counter Fraud**

- 9.1 Managing the risk of fraud and corruption is the responsibility of management. Internal Audit reviews alone cannot guarantee that fraud or corruption will be prevented or detected. Internal Auditors will, however, be alert in their work to risks and exposures that could allow fraud, corruption, or other irregularity to take place.
- 9.2 The Chief Audit Executive will seek to develop proactive anti-fraud work through a series of specifically focussed investigation reviews into areas of high risk of fraud and irregularity.
- 9.3 The Chief Audit Executive is also responsible for corporate and tenancy investigation activity. Investigation Teams will respond to all notifications of fraud and suspected financial irregularity and will undertake investigations to assess the validity of such allegations. Where weaknesses in internal control are identified, these will be communicated to Internal Audit in order that appropriate recommendations can be made to strengthen the controls and help prevent such fraud and irregularities reoccurring.
- 9.4 The policies and procedures of the anti-fraud service are detailed in the Council's Anti-Fraud and Corruption Strategy. All fraud concerns shall be notified to the Chief Audit Executive.

## **10. Risk Management**

10.1 The remit of the Audit and Anti-Fraud department includes Corporate Risk Management, which essentially coordinates the risk management functions that all service managers are responsible for. The Corporate Risk Management function is separate to the Internal Audit function. Internal Audit activity with regard to risk will be consistent with the functions that the Institute for Internal Auditors has identified as being suitable to ensure that independence and objectivity are protected.

## **11. Due Professional Care**

11.1 The Internal Audit function is bound by the following standards:

- Institute of Internal Auditors International Code of Ethics
- UK Public Sector Internal Audit Standards (PSIAS)
- CIPFA Statement on the Role of the Head of Internal Audit
- Seven Principles of Public Life (Nolan Principles)
- All Council Policies and Procedures
- All relevant legislation

11.2 All internal audit staff are required to sign an annual statement confirming their compliance with the IIA Code of Ethics as included in the GIAS.

11.3 Internal Audit is subject to a quality assurance and improvement programme that covers all aspects of internal audit activity. This consists of an annual self-assessment of the service and its compliance with the GIAS, ongoing performance monitoring, and an external assessment at least once every five years by a suitably qualified, independent assessor. The outcome of these assessments will be reported to the Audit Committee each year.

11.4 A programme of Continuous Professional Development (CPD) is maintained for all staff working on audit engagements to ensure that auditors maintain and enhance their knowledge, skills, and audit competencies. The Chief Audit Executive is required to hold a professional qualification (CCAB or CMIIA) and be suitably experienced.

## **12. Related Documents**

- Internal Audit Strategy 2026 - 2030
- Internal Audit Annual Plan



**London Borough of Hackney**

**Internal Audit Strategy  
2026 - 2030**

**June 2026**

## **1. Introduction**

- 1.1. This strategy sets out how the Council's Internal Audit Service will be developed and delivered in accordance with the Internal Audit Charter. The strategy will be reviewed annually and presented to the Audit Committee.
- 1.2 The work of Internal Audit is set out each year in an approved Internal Audit Plan. This provides a guide to future activity and is subject to review to ensure that audit work reflects organisational requirements
- 1.3 The Internal Audit plan is driven by the Council's organisational objectives and priorities, and the risks that may prevent the Council from meeting those priorities.

## **2. Internal Audit Objectives**

- 2.1. Internal Audit seeks to strengthen Hackney's organisational ability to create, protect and sustain value by providing the board and management with independent risk-based and objective assurance, advice, and insight and foresight. The purpose of the service is to enhance:
  - The likelihood that Hackney successfully achieves its objectives;
  - Governance, risk management and control processes;
  - Decision making and oversight;
  - Reputation and credibility with our stakeholders; and
  - Our ability to serve the public interest.
- 2.2. In particular, to the Chief Financial Officer to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

## **3. Internal Audit's Remit**

- 3.1. Internal Audit is an assurance function that primarily provides an independent and objective opinion on the degree to which the framework of governance, risk management, and control supports and promotes the achievement of the Council's objectives.
- 3.2. Under the direction of a suitably qualified and experienced Corporate Head of Audit, Anti-Fraud and Risk Management will: -
  - Provide management and Members with an independent, objective assurance on the framework of governance, risk management, and control and its effectiveness in achieving the Council's objectives and priorities
  - Provide management with a consulting activity designed to add value and improve the Council's operations
  - Assist the Audit Committee to reinforce the importance of effective corporate governance and ensuring internal control improvements are delivered
  - Drive organisational change to improve processes and service performance
  - Work with other internal stakeholders and customers to review and recommend improvements to internal control and governance arrangements in accordance with regulatory and statutory requirements

- Work closely with other assurance providers to share information and provide a value for money assurance service
- Promote continuous improvements in risk management and control systems
- Be alert in all audit work to risks and exposures that could allow fraud, corruption, extravagance, waste, or inappropriate use of Council resources
- Participate in local and national bodies and working groups to influence agendas and developments within the profession

3.3. It is recognised that it is management's responsibility to establish and maintain a sound system of internal control and to prevent and detect irregularities and fraud by ensuring that risks are properly managed. Internal Audit cannot absolve management and senior officers of these responsibilities. The overall aim of Internal Audit is to seek out areas requiring improvement and recommend solutions that will enable the Council to better achieve its objectives.

3.4. Internal Audit will ensure that it is not involved in the design, installation and operation of controls which could compromise its independence and objectivity. Internal Audit will however, offer advice on the design of new internal controls in accordance with best practice.

#### **4. Service Delivery and Resources**

4.1. The Service will be delivered by the in-house internal audit team under the direction of the Corporate Head of Audit, Anti-Fraud and Risk Management. The in-house team is supplemented by a specialist IT Audit resource, which is provided under contract.

4.2. Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels, and experience, having regard to its objectives and standards.

#### **5. Internal Audit Planning**

5.1. Audit planning will be undertaken on an annual basis. The plan will be sufficiently flexible to accommodate changes in risks and priorities that arise during the period covered by the plan. Good practice recommends that the audit plan is reviewed regularly throughout the year to ensure that it remains relevant.

5.2. Where possible, the audit plan will take into account management activities, the external auditor, inspection bodies, and other review agencies to ensure the most effective audit coverage is achieved, and duplication of effort is minimised.

5.3. The annual audit plan and audit coverage will be based on the following: -

- The Council's risk registers together with Internal Audit's own assessment of risk in operational areas, considering impact and likelihood.
- The adequacy of risk management, performance management, internal and external review bodies, and other assurance processes within the Council.
- The extent and scope of audit activity in previous years, including the previous audit reports and recommendations made to strengthen controls and enhance systems.
- The requirements of the external auditors and their ability to utilise the work of Internal Audit in forming their opinion of the Council's Financial Statements.

- The requirements of regulations and legislation and external factors such as grant conditions.
  - The views of senior managers in the directorates and the assurances received from them regarding internal control, governance and risk management.
- 5.4. The Corporate Head of Audit, Anti-Fraud and Risk Management will attend directorate management team meetings as part of the annual planning process to ensure that management views and suggestions are taken into account when producing the audit plan.
- 5.5. The Internal Audit Annual Plan is based on the following: -
- (i) **Risk-Based Systems Audit:** Audits of systems, processes or tasks where the internal controls are identified, evaluated, and confirmed through a risk assessment process. The internal controls, depending on the risk assessment, are tested to confirm that they are operating correctly. The selection of work in this category is driven by Directorates' own risk processes and will increasingly include work in areas where Council services are delivered in partnership with other organisations. The results of audit work will be fed back into the risk management process to form a 'virtuous circle'.
  - (ii) **Key Financial Systems:** Audits of the Council's key financial systems. External Audit will have the opportunity to rely on the work of Internal Audit where appropriate.
  - (iii) **Probity Audit (schools and other establishments):** Audit of a discrete unit. Compliance with legislation, regulation, policies, procedures or best practices is confirmed. For schools, this includes assessment against the Schools Financial Value Standard. Coverage is dependent on the assessment of the level of risks.
  - (iv) **Computer Audit:** The review of ICT infrastructure and associated systems, software, and hardware.
  - (v) **Contract Audit:** Audits of the procedures and processes for the letting and monitoring of contracts, including reviews of completed and current contracts.
  - (vi) **Fraud:** The Audit Investigation Teams, within the Audit and Anti-Fraud Division, will investigate any fraud and irregularity arising during the year and also undertake a programme of proactive counter-fraud projects to raise awareness of significant fraud issues.
  - (vii) **Ad-Hoc Work:** Due to organisational changes and emerging risks and issues, audit resources may need to be allocated to reviews on an ad hoc basis in areas not envisaged in the annual audit plan. These unforeseen alterations will be agreed by the Corporate Head of Audit, Anti-Fraud, and Risk Management and reported to the Audit Committee.

## 6. Follow-up

- 6.1. Internal Audit will evaluate the Council's progress in implementing audit recommendations against set targets for implementation. In areas where there has

been limited or no assurance, follow up reviews may be conducted in the following year. Progress will be reported to the Audit Committee on a regular basis.

- 6.2. Where progress is unsatisfactory or management fails to provide a satisfactory response to follow up requests, Internal Audit will implement the escalation procedure as agreed with management. This entails reporting progress with the implementation of high and medium priority audit recommendations to directorate management teams on a regular basis.

## **7. Reporting**

- 7.1. Internal Audit reports the findings of its work in detail to local management at the conclusion of each piece of audit work. Progress reports are also periodically issued to the Audit Committee. The Corporate Head of Audit, Anti-Fraud and Risk Management's annual report is also submitted to the Audit Committee and this contributes to the assurances underpinning the Annual Governance Statement of the Council.

## **8. Related Documents**

- Internal Audit Charter
- Internal Audit Annual Plan

## Draft Annual Governance Statement 2025/2026

### Executive Summary: Hackney Council's Commitment to Good Governance

The London Borough of Hackney is dedicated to enhancing the lives of all residents, fostering opportunity and prosperity for both local individuals and businesses, and cultivating a community that is open, cohesive, safer, supportive, and environmentally sustainable. The Council's 2022-26 Strategic Plan was in place for the period covered by this statement, it articulated our principal commitments throughout that time, it outlined the anticipated organisational changes and different working methodologies, identified the necessary partnerships, and detailed our engagement strategy with residents.

To be successful, the Council must have a solid foundation of good governance and sound financial management. Hackney's Local Code of Corporate Governance ensures that we are doing the right things, in the right way, in line with our values. The Local Code is supported by an assurance framework that sets out how and on what the Council will seek to obtain assurance. Hackney's Local Code of Corporate Governance and Constitution can be found [here](#) or through the Council's website.

The Council is mandated to produce an Annual Governance Statement that assesses the effectiveness of its corporate governance arrangements, as set out in the Local Code. This statement provides assurances on compliance for the year ending 31 March 2026, up to the date of approval of the statement of accounts.

The 2024/25 Annual Governance Statement identified areas for improvement, resulting in an action plan that set out how we would manage the most significant issues. Details of the issues identified in 2025/26 are provided in Appendix 1, and the outcomes of issues identified in 2024/25 can be viewed [here](#)

We are satisfied that the steps set out above have resulted in some improvements. However, certain issues remain a concern, and further action to address these is detailed in the 'Improving Governance' section at the end of this statement. We will continue to monitor their implementation and operation as part of our next annual review.

We acknowledge the importance of a stable foundation of good governance and sound financial management, and we are committed to addressing the matters highlighted within this statement, as well as to enhancing our governance arrangements. We confirm we have been advised of the implications of the review by senior management, Internal Audit, and the Audit Committee, and are satisfied that the steps outlined in this document will yield positive improvements.

Furthermore, we recognise that the operating environment facing Hackney and Local Government as a whole continues to be extremely challenging following a decade of austerity and significant increases in demand for core services. Further change is essential to meet these demands in a sustainable way. A degree of confidence can be drawn from the resilience demonstrated by our governance arrangements during recent periods of intensive change, including the pandemic, the 2020 cyber attack, and the response to the increasing cost of living crisis. Nonetheless there is no room for complacency as the Council continues to adapt.

**Draft Annual Governance Statement 2025/2026**

Signed on behalf of Hackney Council:

Three handwritten signatures in black ink, arranged horizontally from left to right. The first signature is stylized and appears to be 'ZG'. The second signature is more legible and appears to be 'Dawn'. The third signature is also stylized and appears to be 'Naeem'.

Zoë Garbett  
Mayor

Dawn Carter-McDonald  
Chief Executive

Naeem Ahmed  
Group Director,  
Finance & Corp Resources

May 2026

## Draft Annual Governance Statement 2025/2026

### Scope of Responsibility

Hackney Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded and accounted for properly. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, and effectiveness. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has in place a Local Code of Corporate Governance that sets out its commitment to good governance, which is consistent with the principles set out in the guidance produced by CIPFA/SOLACE, 'Delivering Good Governance in Local Government (2016)'. The Code sets out the arrangements the Council has in place, which demonstrate that the principles of good governance are embedded within the way the Council conducts its business.

The Council's governance arrangements are under continuous review for appropriateness and effectiveness. The Council is committed to the ongoing strengthening of its governance arrangements and will consider new initiatives that will impact its governance arrangements in future reviews.

### Review of the Effectiveness of Hackney's Governance Framework

The governance framework comprises the systems, processes, culture, and values by which the authority is directed and controlled, and the activities through which it accounts to, engages with, and leads the community. It enables the authority to monitor the achievement of its strategic objectives and consider whether those objectives have led to the delivery of appropriate cost-effective services.

Throughout the year, the Council regularly reviews the effectiveness of its governance framework to streamline and improve our processes to ensure these arrangements remain effective, now and in the future. This is informed by individual service leadership and management, corporate oversight functions (including statutory officers), internal audit, external auditors, and other review agencies. Similar and proportionate oversight and governance arrangements should also be put in place in respect of services outsourced to external suppliers, trading partnerships, Council-owned companies, shared service arrangements, and arm's length bodies.

The system of internal control is a significant part of the framework, designed to manage risks to a reasonable level. It is based on an ongoing process developed to identify and prioritise risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised, and to manage them efficiently, effectively, and economically. It cannot eliminate all risks and can therefore only provide reasonable and not absolute assurance of effectiveness.

The Annual Governance Statement contributes to the continuous review of the effectiveness of our governance arrangements. It identifies areas where we can and will do more to ensure

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that we have effective governance arrangements that enable the organisation to deliver on its commitment to improving the lives of all residents and creating opportunity and prosperity for local people and businesses.

This statement is an honest appraisal of our governance framework and shows that Hackney has adequate arrangements in place that generally comply with the Council's Local Code of Corporate Governance and that we have met our legal and statutory obligations to our residents.

The Council's Statement of Accounts for 2024/25 was signed off on 27 February 2026, the external auditors issued an unqualified opinion on the 2024/25 accounts, confirming they present a true and fair view of the Council's financial position as at 31 March 2025. This progress should be seen within the context of a challenging local authority external audit environment, which results from capacity constraints in both audit providers and local government at a national level, and the increasing complexity of local authority accounts.

The governance framework has been in place at Hackney Council for the year ended 31 March 2026 and up to the date of approval of the annual report and the audit of the statement of accounts.

Adequate assurance can be given that the systems and processes in place throughout the Council support the achievement of its objectives. The Council is currently aware of issues that could affect its financial position, including but not limited to ongoing cost pressures associated with the delivery of Children's and Adult Social Care Services, temporary accommodation, the cost of living crisis, and the impact of global events.

Whilst a number of assurances have been obtained to support this conclusion, as outlined in the following paragraphs, the specific assurance of the Corporate Head of Audit, Anti-Fraud & Risk Management must be considered to support this statement.

### Corporate Peer Challenge

In September 2024, the Council took part in a Corporate Peer Challenge (CPC), whereby the Council was independently assessed on specific areas, including the robustness of its governance arrangements. Several relevant recommendations have arisen (including consideration of meeting structures, focus on the use of reserves, revisions to performance management, member training arrangements, and maximising the effective delivery of the Mayor's priorities), and an action plan has been developed to deliver them.

In October 2025, the Council welcomed the local government peers for a Corporate Peer Challenge return visit. This was an opportunity for the peer team to evaluate the Council's progress since September 2024 and the publication of the action plan in February 2025. The return visit found that over the past year, the council has made significant progress, particularly in terms of governance, and it cited strong managerial leadership as one important contributor to this.

### Directorate reviews of governance arrangements

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The Senior Leadership Team for each directorate completed an assurance matrix to demonstrate that they have in place the key elements of a robust controls and governance framework. These matrices were considered by each team, and based on this review, each Group Director has signed an Assurance Statement to accompany the assurance matrix. Internal Audit reviewed the returns from each directorate and assessed these alongside other sources of assurance.

### Audit Committee role in governance arrangements

The Audit Committee receives reports throughout the year that support its oversight of governance within the Council, including: -

- Corporate and directorate risk registers
- Performance of the Council and Audit & Anti-Fraud Service
- Review of the final accounts
- Review of the Annual Governance Statement
- Reports on Treasury Management
- Reports on Performance Management
- Deep dive reviews concerning the Corporate Transformation Programme and the Capital Cost of Borrowing

The Committee undertakes an annual self-assessment that is reported to the full Council. An ongoing development programme is provided to committee members to support them in fulfilling their responsibilities and to ensure that the committee continues to be effective.

### Review and update of the Constitution

The Constitution is regularly reviewed and was last updated and approved by Council in May 2025. In February 2025, new rules governing public procurement came into force. The Procurement Act 2023 sets out the way procurement is done, so that every pound goes further for our public services. The Council's Contract Standing Orders (CSOs), which form part of The Constitution, were revised for use by Members and Officers of the Council who are involved in procurement and contract management activities. Training and information sharing for officers on the Procurement Act have taken place, and plans are in place to extend training to elected Members.

### Report by the Standards Committee on its activities

The Council has a legal duty under the Localism Act 2011 to promote and maintain high standards of conduct of Members and co-opted Members in public office, and therefore established a Standards Committee to ensure compliance with this duty.

During the year, the Standards Committee considered reports on:

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- Standards Committee Annual Report 2024/25
- Policy on Disclosure and Barring Service checks for Elected Members.
- Local Government Association (LGA) model Code of Conduct.
- Standards in Public Life
- Compliance with Guidance on members' use of ICT information.
- Review of the Register of Interest/Gifts and Hospitality
- Review of the number of complaints about Members
- Members Training and Development Programme

### Overview and Scrutiny

The Scrutiny Panel enables coordination and oversight of the work of the different commissions. It also delivers public question time sessions and holds the Mayor and the Chief Executive to account. The Scrutiny Panel is in place to review and inform decisions that the Mayor and Cabinet make. There are four Overview and Scrutiny Commissions that report through the Panel with the following remits: -

- Skills, Economy & Growth
- Children and Young People
- Living in Hackney
- Health in Hackney

During the year, Scrutiny Commissions considered various reports, including;

- Voluntary & Community Sector Strategy & Grants Programme
- Hackney Business Support Town Centres & Street Businesses
- Fleet Assets - Work to achieve Carbon Neutral
- Behaviours Management & School Inclusion
- Childcare Sufficiency
- Families First Programme
- Housing Improvement Plan Delivery
- Eliminating Violence against Women & Girls Strategy
- Sexual & Reproductive Health Services for Young People
- Local GP Services - Access & Quality
- Adult Social Care Transformation Programme
- Community Mental Health

### Opinion of the Corporate Head of Audit, Anti-Fraud & Risk Management

In accordance with the Accounts and Audit Regulations 2015 and the Global Internal Auditing Standards (GIAS) 2025, the Corporate Head of Audit, Anti-Fraud & Risk Management, who is the Council's chief audit executive, is required to provide independent assurance and opinion on the adequacy and effectiveness of the Councils' governance, risk management, and management control framework, and through the Audit & Anti Fraud Service deliver an annual programme of risk-based audit activity, including counter fraud and investigation activity and make recommendations for the improvement of the management of risk and control.

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The Corporate Head of Audit, Anti-Fraud & Risk Management has reviewed the available evidence, including the cumulative knowledge and experience from audit review of the systems and controls in place over many years, the results of previous audit work and the work completed in 2025/26, and other supporting sources of assurance. This assessment shows that audit work has been carried out across a wide breadth of Council and partner organisation activity and the typical outcome of these reviews continues to be that a reasonable level of assurance can be taken about how our activities overall are governed and controlled. The percentage of audits receiving a significant assurance rating has declined from previous years which may represent the recent impact of considerable change and challenge, and any assessment of this must also allow for the fact that different services are reviewed each year so results are not directly comparable. However, the great majority of audit assignments result in an overall positive outcome of 'reasonable assurance' or better. It is also noted that the implementation rates for addressing internal audit findings are currently much lower than our target scores. There are some pockets of poor performance, particularly among the TMOs, and it is also likely that management capacity during a period of organisational change may be relevant. Nevertheless, the overall assessment, taking all assurance sources into consideration, continues to be that a reasonable assurance conclusion can be drawn on the adequacy and effectiveness of the Council's governance arrangements. It can also be concluded that the Council has good foundations in place, which generally conform with best practices that are fundamentally sound and fit for purpose. Reasonable assurance can be taken that the Council's risk management, internal control environment, and governance processes were in operation during the year to 31 March 2026. There are areas where improvements to enhance the Council's governance framework were identified, these have been recognised, and improvement plans are in place, particularly those linked to the Housing Ombudsman review.

The Head of Audit's annual assurance statement for 2025/26 will be included in the Internal Audit Annual Report for 2025/26, which is due to be considered by the Audit Committee on 17 June 2026. An outline of the factors that have contributed to the rationale for the 'Reasonable' assurance opinion can be viewed [here](#).

After the disruption to the audit plan that followed the cyber attack, considerably more ICT audit reviews were able to be completed during 2025/26. There are grounds to be optimistic that this pattern will continue through 2026/27.

The corporate loss of data and issues that persist with some systems following the cyber attack continue to have an impact, even though that has lessened significantly and become more localised over time. The residual impact of this is most acutely felt in our Housing Services, the consequences are most clearly set out in the challenging Housing Ombudsman report, and the action plan which is in place to address the issues raised. Recent internal audit activity has confirmed that the work to improve data availability is on track.

There is an ever more important need for the Council to move at pace to ensure that quality services are delivered sustainably. In July 2024, the Council approved a four-year Transformation Strategy to support our financial stability while delivering essential services to our residents who need them most. The Council's Future Operating Model and associated savings were agreed by Cabinet in September 2025, with savings covering the period

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2026/27 to 2028/29. The scale of change is ambitious and it will be vital to deliver meaningful results during 2026/27 now that the plans are fully approved. Changes to service provision and restructuring of services does provide a challenge that the governance arrangements must keep up with. The 'reasonable' assurance opinion provided here reflects that we have continued to carry out effective governance despite the challenges of the cost of living crisis, following on from global shocks, and the disruption caused by the cyber attack. This experience will no doubt be invaluable as the Council embarks on essential further change.

During the reporting year, reviews were undertaken of the Council's compliance with CIPFA's Financial Management Code. Business Continuity plans remain up to date, and all plan owners have received extensive training during the year.

The Accounts and Audit (England) Regulations 2015 and the Global Internal Audit Standards require the Council to undertake a review of the effectiveness of its Internal Audit function and to report the results in the Annual Governance Statement. An external review is required every 5 years. This was most recently completed in November 2023, with the conclusion that the Council's Internal Audit arrangements generally conform with the professional standards (the second highest of four possible ratings). The internal review for 2026 upholds this view, as a result it is considered that the Council has effective Internal Audit arrangements in place.

### [Forward Look](#)

There is no room for complacency about our governance arrangements. While this statement has drawn an overall positive conclusion about the current situation, there are two notable areas of change that we expect in the coming twelve months which our governance arrangements must support.

Firstly, actions arising from the transformation programme will escalate significantly to deliver the wide-ranging operational change that is needed to keep the Council on a sustainable footing. Changes to organisational reporting lines, structures, capacity and approaches to service delivery will require key controls to adapt and keep pace with new ways of working. Future Internal Audit work will seek to provide assurance on the control environment where change has taken place.

Secondly, in May 2026 the people of Hackney overwhelmingly voted for the biggest political change in generations. There is a palpable sense of optimism, hope and desire for change, in and beyond the council, to deliver a new and more ambitious agenda. At the same time, this is in the context of the same constraints facing all local authorities. This change presents opportunities to evolve how we work, refresh and update plans, and strengthen our partnerships to ensure we remain financially resilient and stable whilst delivering this new direction. Our governance arrangements will be vital to ensure that the ambition is aligned with the resources, structures, processes and legislative framework that we work within, whilst looking to explore ways to go higher and further than before.

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### Improving Governance

Based on our review of the governance framework, the following significant issues will be addressed in 2026/27.

Issues Identified 2025/26	Planned Action
<p><b><u>1. Financial Pressures and Uncertainty</u></b></p> <p>Financial pressures apply to all services and are particularly driven by increasing demand and cost of provision in three main areas, in common with all other local authorities providing these services:</p> <p><u>Children and Education budgets</u> are being driven by significant cost pressures, primarily in relation to packages of care in looked-after children (LAC) placements, staffing across Children &amp; Families Services, and SEND cost pressures within Hackney Education Services. In addition, the amalgamated balances of Hackney Schools have decreased since 2022/23 as a consequence of falling pupil roll numbers.</p> <p>The number of people requiring <u>adult social care</u> services is increasing and inflationary pressures are increasing the cost of provision.</p> <p>Demand continues to rise for <u>temporary accommodation</u>. Although the rate of increase has slowed compared to the start of the year, a £17.3m overspend is forecast for the year. The overspend is primarily driven by a sharp increase in the number of people placed in temporary accommodation and rising costs.</p> <p>Financial pressures also impact other organisations with which the Council works closely. The impact of falling pupil numbers on schools finances continues, with some schools seeing a worsening position. Pupil numbers are not predicted to increase in the medium term, and the Council is working with schools to closely monitor the issue and establish mitigation controls where possible.</p>	<p>Note that in addition to the planned management action set out below, these issues will also be influenced by the new political direction. For example, new housing repairs inspection targets have been set out.</p> <p>Strict budget controls will continue through 2026/27, including restrictions on recruitment and the use of agency staff, limitations on overtime, and a freeze on non-essential spend. Monthly budget meetings take place with all budget holders. In addition, there are a range of operational activities and scrutiny to ensure resources are used appropriately to meet needs.</p> <p>There is a particular focus on governance around those projects or programmes that are expected to deliver savings, both through SLT and through specific governance boards for those projects/ programmes.</p> <p>The transformation programme ways of working and priorities were agreed in September 2025, which was later than anticipated. The programme will aim to deliver at pace through 2026 and beyond.</p> <p>The Homelessness and TA supply Transformation Board is leading the development of change proposals to address the gap between the demand for homelessness support and the supply of temporary accommodation (TA). The following workstreams are in place:</p> <ul style="list-style-type: none"> <li>● Cost reduction by wider use of Council Housing Companies;</li> <li>● Increased charges and better collection of TA income;</li> <li>● Increased supply;</li> <li>● Demand Modelling: Developing a model to forecast future demand for temporary accommodation by analysing the drivers of homelessness.</li> <li>● Service Review: Evaluating the effectiveness of services in preventing homelessness, managing temporary accommodation costs, and providing move-on solutions.</li> </ul> <p>The Council consulted on and agreed proposals to close or amalgamate some primary schools in recent</p>

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<p>Cost pressures may result in additional stress on Council teams which deliver services, and a temptation to ease governance controls to focus on delivery. Paradoxically, governance arrangements are even more important in a constrained financial environment to ensure that activity is directed at the priorities which have been agreed.</p>	<p>years as a direct result of the significant decrease in pupil numbers. The external drivers contributing to declining pupil numbers and increased budget pressures in schools continue to place schools under strain across London. Appropriate governance arrangements are in place with dedicated programme support and structures to manage the strategy and implementation.</p>
<p><b><u>2. Remaining impacts from the cyberattack</u></b></p> <p>While most systems have been fully reintroduced or replaced, there are also a small number of service areas that continue to rely on alternative information management systems as more complex long-term solutions are procured and configured.</p> <p>In particular, the delay in delivering a fully integrated housing ICT system is impacting some services, particularly housing services, income collection, leaseholder debt, reporting on housing repairs and homeless prevention.</p>	<p>Continued and significant progress has been made with systems delivery following the cyberattack. In most cases, systems are now operating normally, with most recoverable data restored.</p> <p>Continued cyber assurance work is monitored through the Cyber Security Governance Group (ICT), which will report into the reconvened Information Governance Group.</p> <p>An NCC review was completed in-year which has resulted in an action plan to further improve the Council's cyber security arrangements. One particularly tangible recent result from this is the delivery of training to all staff to raise awareness of the threats and ensure that there is clarity about how to respond.</p> <p>Progress is being made on key project components of the integrated housing ICT system, including setup and data migration. For Testing, a master list of test cases from another NEC customer was obtained and is now under review with Subject Matter Experts to create Hackney-specific tests. Recruitment is under way to assist system implementation, albeit that this has gone more slowly than was anticipated. Engagement is moving forward with show and tell sessions booked for phase 1 modules. These sessions are designed to identify gaps and will subsequently lead into developing timelines for user testing and the final go-live.</p> <p>The Housing Service Improvement Plan has set out a timeline to make sure that key data for all Hackney properties and tenancies is in place by the end of the 2026/27 financial year.</p> <p>Separately, a Childrens' and Education case management system is being implemented which will help to resolve some areas of known data quality issues, which are being monitored and addressed through a performance management framework, specific project and programme governance, and risk management. C&amp;E continues to work with ICT to</p>

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	ensure that system security arrangements are appropriate.
<p><b>3. Responsive Repairs overspend.</b> The forecast outturn position to budget within property services as at February 2026 is an overspend of £10.1m against the budget of £50.8m.</p> <p>An increasing number of repairs were carried out during the year, and a significant number of larger jobs have been completed, partly as a response to the increased demand for damp and mould related works.</p> <p>While the increase in, and nature of repair jobs will go some way to explain the overspend, the fact that this was not forecast through regular budget management highlights insufficient focus in this area and the need for improvement.</p> <p>The key risks to the current HRA are repairs and maintenance expenditure, which has resulted in the budgets for 2026/27 being increased to reflect the current demands and costs. These budgets will be reviewed monthly with a view to reallocating resources to capital investment in the stock over the next 3 to 5 years.</p> <p>The current financial position and forecast drawdown of earmarked reserves places the HRA budgets under significant financial pressure.</p>	<p>The Control Measures put in place during the 2024/25 Financial Year have continued and Management action has been taken to contain expenditure, which includes that all work should be ordered on the repairs hub with a clear commitment to aid budget monitoring/management, and that expenditure is limited to the 'musts' i.e. the legal requirements. These instructions set out the need to work within set budgets during 2025/26, as well as reviewing and setting authorisation limits to improve financial controls. Bi-weekly spend review meetings will review all works raised via the surveying function and all follow-on works requested by the DLO.</p> <p>The current financial position and depletion of earmarked reserves place the HRA budgets under significant financial pressure and the current level of spend is not sustainable within the HRA MTFs and 30 Year Business Plan. The HRA Finance Improvement Board will continue to oversee and monitor the financial sustainability of the HRA and recommend appropriate action.</p> <p>The spend control measures implemented so far have shown a positive overall impact. If this trend continues through the rest of the year, it could lead to a £2.409m reduction in the overspend compared to last year's final outturn.</p>
<p><b>4. Housing Disrepair.</b></p> <p>Housing Disrepair, which incorporates issues relating to damp and mould were highlighted as a result of media reports showing unacceptable living conditions. In addition, a significant backlog of repairs was identified in the latter part of 2024/25 and has continued into 2025/26, which is contributing to the increase in disrepair cases.</p> <p>The 2025/26 forecast reflects the increase in the number of cases that progress through the courts in 2025/26, as there are more resources in place. As a consequence, legal costs, court costs, and compensation costs</p>	<p>Measures to address the Housing disrepair backlog and drive future performance improvements are included in the Housing Improvement Plan.</p> <p>A repairs improvement plan has been put in place, which focuses on three main areas:</p> <ul style="list-style-type: none"> <li>• Clearing the backlog of responsive repairs built up as a result of limiting the service to emergency / urgent repairs only for 12 months during the pandemic;</li> <li>• Addressing and reducing the level of legal disrepair cases (which are often in the worst condition);</li> <li>• Improving the customer experience, thereby increasing customer satisfaction levels.</li> </ul>

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<p>will rise significantly. Thus, the actual year-end forecast on legal charges is significantly higher than the budget, as more cases are expected to go through courts for final settlements in order to reduce the overall number of cases.</p> <p>As a result of the take up of the ADR Process, settlement and repair costs continue to be forecast to be more than budgeted. This expectation is in line with the 2024/25 outturn position. It is anticipated that the new operatives recruited should generate additional repair income during the year. In addition, a review is underway to compare the business case to the outcome for 2025/26 with a view to updating it.</p>	<p>A Housing Repairs Improvement Board is established, with a mandate to clear the backlog of cases, reduce the number of Legal Disrepair cases and improve residents' experience.</p> <p>Since early 2023, the service has introduced an Alternative Dispute Resolution (ADR) to the process for dealing with Housing Disrepair cases, which resulted in lower legal costs for resolved cases. A business case for an invest to save strategy has been developed to build up resources to increase the throughput into ADR, and also increase our capacity and improve handling and management of disrepair cases.</p> <p>This should lead to the improvement of the handling of issued claims and help to reduce the backlog of disrepair cases. This will ultimately lead to lower legal costs as the volume of cases tapers off.</p>
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**These issues will be supported by a detailed action plan, the progress on which will be monitored during 2026/27 and reported to senior management.**

**Outcomes from significant issues identified in 2024/25 that were addressed in 2025/26 can be found [here](#).**

## Rationale for "Reasonable" Assurance Opinion





