



A U D I T C O M M I T T E E

Wednesday 21 June 2023 at 6.30 pm
Council Chamber, Hackney Town Hall,
Mare Street, London E8 1EA

Supplementary papers: Item 4 External Audit Completion Report 2021/22

Members of the Committee:

Councillor Anna Lynch (Chair)
Councillor Sharon Patrick (Vice-Chair)
Councillor Sophie Conway
Councillor Zoe Garbett
Councillor Margaret Gordon
Councillor Shaul Krautwirt
Councillor Lee Laudat-Scott
Councillor Yvonne Maxwell
Councillor Caroline Selman
Councillor Gilbert Smyth

Ian Williams
Acting Chief Executive
Published on: Thursday 15 June 2023
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Audit Committee

Wednesday 21 June 2023

Supplementary papers: Item 4 External Audit Completion Report 2021/22

4 External Audit Completion Report 2021/22 (Pages 5 - 84)

Includes the following documents:

- External Audit Completion Report 2021/22 paper
- Appendix 1 - LB Hackney 2020-21 Mazars Audit Completion Letter
- Appendix 2 - LB Hackney 2021-22 Mazars Audit Completion Report
- Appendix 3 - LB Hackney Pension Fund 2021-22 Mazars Audit Completion Report

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Title of Report	External Audit Completion Report 2021/22
For Consideration By	Audit Committee
Meeting Date	21 June 2023
Classification	Open
<u>Wards Affected</u>	All
<u>Group Director</u>	Ian Williams, Finance and Corporate Resources

1. **Introduction**

- 1.1 The audit completion letter for the financial year 2020/21 and the audit completion report for 2021/22, both provided by the Council's external auditors, present a comprehensive overview of the audit status for the financial statements of the Council and Pension Fund.

2. **Recommendation**

- 2.1 The Audit Committee is recommended to note the contents of the reports.

3. **Reasons for decision**

- 3.1 The external auditors are required to report to “those charged with governance” any matters arising from the annual audit of the Council’s Financial Statements and those of the authority’s Pension Fund before they can issue audit opinions on those statements.

4. **Background**

Policy context

- 4.1 The Audit Completion Reports (ACR) discharge the external auditor’s responsibility under the International Standards of Auditing (ISA) (UK & Ireland) 260, communication of audit matters with those charged with governance.

Equality impact assessment

4.3 For this report, an Equality Impact Assessment is not applicable.

Sustainability

4.4 Not applicable - This report contains no new impacts on the physical and social environment.

Consultations

4.5 Not applicable

Risk assessment

4.6 Details of the auditor's assessment of risk associated with the audit of the accounts will be outlined in the ISA260 Report (see appendix 2 & 3 for the audit completion reports).

5. External auditor's Audit Completion letter 2020/21 & Report 2021/22

5.1 Our auditors have confirmed that all outstanding matters in relation to the 2020/21 Statement of Accounts, previously highlighted in our audit progress reports presented to the Audit Committee on 13 October 2022 and verbally updated on 18 January and 19 April 2023, have now been successfully resolved (further details are provided in Appendix 1). The auditors expect to issue the audit opinion by the time of the Audit Committee meeting scheduled for 21 June.

5.2 At the date of this report our 2021/22 audit is substantially complete. However, the auditors do not expect to be able to issue the audit opinion until late July 2023 due to the national pensions issue which we have previously reported to the Committee pertaining to the reporting of assets and liabilities related to the Pension Fund. Subject to the resolution of outstanding issues our auditors anticipate issuing an unqualified audit opinion on the statement of accounts (see appendix 2 & 3 for further details).

5.3 The auditors' work on the Value for Money (VFM) arrangements will not be fully concluded before issuing the audit opinion. However, since no significant weaknesses or risks have been identified, they currently have no matters to report in this regard. The auditors are committed to completing the VFM assessment by the end of July 2023 and will include the VFM commentary in the Auditor's Annual Report (see appendix 2 for further details).

5.4 The Council had one objection to the 2021/22 accounts made by a local elector concerning the Council's use of Penalty Charge Notices (PCNs) in the Mount Pleasant Lane area. After reviewing the objection to the accounts, our auditors recommended under section 27(6) of the LAAA that the Council consider two actions: (i) issuing an apology for the unlawful issuance of PCNs and (ii) establishing a voluntary scheme through which members of the public can claim a refund for PCNs issued for breaching the Mount Pleasant Lane road closure. The Council has since decided to refund all PCNs issued for this location during the period when the Springfield ETO contained the error.

5.5 The auditors have yet to receive instructions from the National Audit Office in respect of the Authority's Whole of Government Accounts (WGA) submission and

therefore are unable to commence work in this area until such instructions have been received.

5.6 The total audit fee for 2020/21 is £229k for the Council and £22.7k for the Pension Fund. The Audit fees for 2021/22 currently stand at £174k for the Council audit, and £23k for the Pension Fund audit, however, the Council audit fee is anticipated to increase for the following;

- PPE & IP valuations
- Impact of Covid -19
- Group accounts
- Increased regulatory requirements
- Code changes to value for money
- Revised auditing standard on accounting estimates
- Additional work to address enhanced risks

5.7 The external auditors will present their reports at the Audit Committee meeting and take any questions from members of the Committee regarding the audit of the accounts.

6. **Comments of the Group Director of Finance and Corporate Resources**

6.1 We expect to present the audit opinion for the 2020/21 period during the upcoming Audit Committee meeting on 21 June. We are pleased to have resolved this matter and would like to emphasise that the delay is a result of a nationwide issue concerning infrastructure assets. This issue is impacting the completion of external audits across the country.

6.2 As set out above, the work to finalise the audit of the Council's 2021/22 Accounts is almost complete. Again it is disappointing that the audit opinion remains outstanding due to a national issue around pension funds' assets and liabilities, which is ostensibly a result of delays to the audit driven by the infrastructure asset issue and the much discussed resource issue in the external audit market.

6.3. It is pleasing to note that a good working relationship has continued with the auditors and officers of the Council. Whilst we are not as far advanced in terms of the audit for 2021/22 as was anticipated by both ourselves and our auditors when their Audit Strategy documents for 2021/22 were presented to Audit Committee in October 2022, Mazars and officers are working hard to conclude the process, subject to the resolution to the pension fund.

6.4 I would like to place on record my thanks to the auditors for the way they have continue to work with my Officers

6.5 I would also like to thank all those officers involved with the preparation of the Statement of Accounts for the hard work that they have undertaken. Whilst not presented at this Committee, this includes their work to ensure our draft 2022/23 Statement of Accounts were published in accordance with the deadline of 31st May 2023.

7. **Comments of the Director of Legal, Democratic and Electoral Services**

- 7.1 Section 151 of the Local Government Act 1972 provides that ‘every local authority shall make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs.’
- 7.2 The proper administration of the Council’s financial affairs includes the obligation on the Council to have its accounts audited in accordance with the Audit Commission Act 1998.
- 7.3 The Council’s Constitution gives the Audit Committee responsibility for adopting the annual statement of accounts and for considering whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit which need to be brought to the attention of the Council.
- 7.4 Consideration of this report by the Audit Committee is in pursuance of the above mentioned obligations and is part of the Council’s fulfilment of its duties.

Appendices

Appendix 1 - LB Hackney 2020-21 Mazars Audit Completion Letter

Appendix 2 - LB Hackney 2021-22 Mazars Audit Completion Report

Appendix 3 - LB Hackney Pension Fund 2021-22 Mazars Audit Completion Report

Background documents

None

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9 June 2023

Dear Committee members

London Borough of Hackney and Pension Fund 2020-21 audit of financial statements - Update/Conclusion of pending matters

Following on from our previous correspondence and as required by International Standards on Auditing (UK and Ireland), we are writing to confirm that the matters that were marked as outstanding within our audit progress reports as presented to the Audit Committee on 13 October 2022 and verbally updated on 18 January and 19 April 2023 have now been completed. We expect to receive the Council's signed statement of accounts and letters of management representations shortly and anticipate issuing the audit opinion by the 21 June Audit Committee meeting.

The outstanding matters and the conclusions reached are detailed in the following tables.

We also include as Annexe B our final fees for 2020/21.

Council audit

Matter	Update/Conclusion reached
Infrastructure Assets	We have completed our review of the Council's response to the national guidance on infrastructure balances. We have challenged the details and commentary provided by the Council. We have reviewed the amendments to the final disclosures proposed by the Council and confirmed these are appropriate
Final review procedures	We have received a final set of updated statements which has included all the agreed amendments. We are currently completing our final review and sign off procedures.
Events after the reporting period	As part of our sign off procedures we will complete our review of events after the reporting period.
File closure procedures	We are currently completing our file closure procedures and our signing of the audit opinion.
Whole of Government Accounts (WGA)	The Group Audit Instructions have been issued by the NAO and we will issue the assurance statement to the NAO shortly after we

Mazars LLP

Matter	Update/Conclusion reached
	have finalised our audit opinion. However, we cannot conclude on WGA until the NAO release its list of sampled components.

The Committee should note that we remain unable to certify completion of the 2020/21 audit as a result of WGA as outlined above. However, on signing the audit opinion for 2020/21 we will be able to certify completion and closure of the audits relating to financial years 2018/19 and 2019/20.

Misstatements

As a result of completing our work we summarise the relevant adjusted and unadjusted misstatements in Annex A to this letter.

Pension Fund audit

Matter	Update/Conclusion reached
Investment assets – level 3	We have now received and reviewed the final investment confirmations from fund managers.
Final review procedures	We have received a final set of updated statements which has included the agreed amendments. We are currently completing our final review and sign off procedures.
Events after the reporting period	As part of our sign off procedures we will complete our review of events after the reporting period.
File closure procedures	We are currently completing our file closure procedures and our signing of the audit opinion.
Review of Annual Report	We have completed the outstanding audit testing. Upon agreement of a final updated set of accounts, we will complete our documentation and our signing of the consistency opinion.

Misstatements

During the audit we have not identified any unadjusted or adjusted misstatements above the trivial threshold.

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

Yours faithfully,



Suresh Patel
Partner
 Mazars LLP

Summary of misstatements - Council

In the Audit Completion Report we communicated the following adjusted misstatement:

<u>Adjusted misstatements</u>					
		CIES DR £000	CIES Cr £000	B Sheet Dr £000	B Sheet Cr £000
1	Dr: CAA Property, Plant and Equipment revaluations			41,922	
	Cr: CAA Investment Property valuations				41,922
Revision of details with the Capital Adjustment Account to separate out the revaluations of investment properties from property, plant and equipment					
Total		-	-	41,922	41,922

The following unadjusted misstatements have been identified as part of the completion of the audit:

<u>Unadjusted misstatements</u>					
		CIES DR £000	CIES Cr £000	B Sheet Dr £000	B Sheet Cr £000
1	Dr: Provisions			5,428	
	Cr: CIES – Service expenditure		5,428		
	Dr: Adjustments between accounting and funding basis	5,428			
	Cr: Usable General Fund Reserves				5,428
Adjustment for the removal for Low Traffic Neighbourhood PCN provision as, in light of legal challenge, this provision is no longer required.					
2	Dr: CIES – Impairment charges		600		
	Cr: Investment property			600	
	Dr: Unusable reserves - CAA				600
	Cr: Adjustments between accounting and funding basis	600			
Adjustment of investment property valuation for overstatement within individual valuation					
3	Dr: PPE			506	
	Cr: Investment Property				506
Adjustment required for the reclassification of property from Investment Property to PPE.					
4	Dr: CIES	8,285			
	Cr: General Fund Reserves				8,285
Extrapolated adjustment for cut-off errors identified in income occurrence and accuracy testing					
Total		14,313	6,028	6,534	14,819

We set materiality at £20.3m with performance materiality at £10.1m. As such we are satisfied that the above unadjusted misstatements do not materially affect the Council and Group accounts.

We have previously reported our estimate of the final fees for completing the 2020/21 audit and are now able to communicate our final position.

Final fees – Council

Area of work	2020/21 (Final)	2019/20 (Final)
Scale fee	£174,266	£174,266
Additional work and fees:		
• Cyber-attack review	-	£10,815
• VFM new approach and risks	£15,000	-
• Changes in scope including additional work on PPE valuations and IAS19	£19,000	£15,603
• Group accounts	£5,300	£5,082
• Accounting estimates (revised ISA)	£5,000	-
• Additional risks	£10,500	-
TOTALS	£229,066	£206,616

Final fees – Pension Fund

Area of work	2020/21 (Final)	2019/20 (Final)
Scale fee	£16,170	£16,170
Additional work and fees:		
• Triennial, material uncertainty and emphasis of matter	-	£4,716
• Level 3 investments	£4,000	-
• IAS19 assurances to LB Hackney	£2,500	-
TOTALS	£22,670	£20,886

Audit Completion Report

London Borough of Hackney
Year ended 31 March 2022

For the 21 June 2023 Audit Committee meeting

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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Fees

Appendix E: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Audit Committee
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Dear Committee Members

14 June 2023

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions. At the date of this report our audit is substantially complete. However, we do not expect to be able to issue the audit opinion until late July 2023 due to the national pensions issue which we have previously reported to the Committee and explain further in this report.

Subject to the resolution of outstanding issues we anticipate issuing an unqualified audit opinion on the statement of accounts.

Our work on the VFM arrangements will not be completed by the time we issue the audit opinion but as we have identified no risks of significant weakness we currently have no matters to report. We aim to complete our VFM work in July and include a VFM commentary in the Auditor's Annual Report which we will issue shortly after we have concluded on the audit.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 20 October 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully



Suresh Patel
Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Valuation of property, plant and equipment;
- Valuation of investment properties;
- Net defined benefit liability valuation; and
- Management override of controls.

Section 5 sets out our follow up to internal control recommendations and section 6 sets out audit misstatements identified to date. Section 7 outlines our work on the Authority's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

At the time of preparing this report, significant matters remaining outstanding are outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report within Appendix B.



Value for Money

We have yet to complete our work on VFM but we anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Authority and to consider any objection made to the accounts. One such item of correspondence from an elector has been received for 2021/22. We have followed up the issue noted and responded to the elector. The matter is closed.

02






Section 02:

Status of the audit

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2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below:

Audit area	Status	Description of the outstanding matters
IAS19 disclosures		The draft Council accounts included IAS19 disclosures based on actuarial reports using data from 2019. The Council has now received the latest triennial review which provides actuals for 31 March 2022 and this impacts the assessment of the position as at the year end. These are materially different to the estimated values used for the draft accounts. Auditors cannot place any reliance on the new triennial valuation until the Pension Fund auditor has carried out audit procedures on the membership data that supports the valuation. This is unlikely to commence until July 2023.
Final review procedures		We are completing our file review which includes specific manager review of completed sections, alongside review by the engagement partner and engagement quality control reviewer.
Events after the reporting period		Review of events after the reporting period, up to the point at which we sign our audit report.
File closure procedures		Following completion of the above final review procedures, we need to complete file closedown procedures, including confirming the final set of financial statements, receipt of management's letter of representation and complete our consideration of post balance sheet events to the date of sign-off.
Whole of Government Accounts (WGA)		We are awaiting the NAO to select its sampled components of local authorities.



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



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



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

03

Section 03: **Audit approach**

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3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum dated 20 October 2022. We have not made any changes to our audit approach.

Materiality

Our provisional materiality for the Council at the planning stage of the audit was set at £19.7m using a benchmark of 1.5% of gross revenue expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, remains as £19.7m using the same benchmark. We set performance materiality at 60% of overall materiality, with the final value of £11.8m.

Reliance on internal audit

We have not placed any reliance on the work performed by the Authority's internal audit function. We have reviewed the functions work programme for the year and used this to inform and confirm our own risk assessment.

Use of experts

We have made use of two auditors' experts during our work. Details of the work provided are as follows:

- PwC: The NAO have appointed PwC to review the qualifications, resources, objectivity and approach of each of the actuaries involved in the production of IAS19 figures for Local

Government Pension Schemes (LGPS). The assessment also looks at the approach taken by each actuary and considers the main assumptions used by each in order to value the schemes underlying assets and liabilities. We rely on the work of PwC to identify any further procedures that may be required with respect to defined benefit pension liabilities.

- Gerald Eve: The NAO appoint Gerald Eve to help inform auditors consideration of the movements in the values of property. Their valuation trends report provides an analysis of movements on certain valuation indices relevant to the consideration of different classification of land and buildings. We use the work of this expert to inform our expectations when auditing property valuations.

Service organisations

The Council does not use service organisations in respect of items of account.

Group audit approach

The Council has five subsidiary companies Hackney Housing Company Limited, Hackney PRS Housing Company Limited, Hackney HLR Housing Company Limited, Makers Management Company Limited and Otto Management Company Limited. We obtained the necessary assurances on each component by carrying out analytical review procedures of the consolidation balances, together with audit of associated consolidation adjustment journals.

We have no matters to report.



04

Section 04: **Significant findings**

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4. Significant findings

In this section we outline the significant findings from our audit, including:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

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Significant risks

Management override of controls	Description of the risk
	<p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>
	How we addressed this risk
	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion
	<p>We have no significant findings to report as a result of our work on transactions outside the normal course of business and journals made in preparation of the financial statements.</p>



4. Significant findings

Property,
Plant and
Equipment
valuation

Description of the risk

The CIPFA Code requires that the carrying value of PPE should reflect the appropriate current value as at the year end. The Council has adopted a rolling revaluation model which sees other land and buildings revalued over a five year cycle, and may result in individual assets not being revalued for several years. This creates a risk that the carrying value of those assets that have not been revalued in year is materially different from the year end current value.

Land and buildings including Council dwellings are the Council's most valuable assets accounting for £3.9 billion of the Council's £4.2 billion Property, Plant and Equipment balance at 31 March 2022.

In respect of Council dwellings, these are reviewed using a beacon valuation methodology, which values Council stock by grouping assets into type and using a nominated beacon asset for each group. The assessed value is uplifted based on an open market assessment then amended for an adjustment factor provided by government.

Due to the high degree of estimation uncertainty associated with valuations and the fact that there were significant findings in the prior year we have determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk by reviewing the approach adopted by the Council to assess the risk that assets not subject to valuation at year end are not materially misstated, and consider the robustness of that approach.

How we addressed this risk (continued)

We also assessed the risk of the valuation changing materially in year, considering the movement in market indices between revaluation dates and the year end, in order to determine whether these indicate that current values have moved materially.

In addition, for those assets which have been revalued during the year we have:

- assessed the valuer's qualifications;
- assessed the valuer's objectivity and independence;
- reviewed the methodology used; and
- performed testing of the associated underlying data and assumptions.

Audit conclusion

There have been no significant findings arising from our audit procedures to review the Council's revaluation of its PPE. Unadjusted misstatements below performance materiality of £4.9m have been recorded in the unadjusted misstatements section of this report (see misstatement 4).

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Executive summary

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4. Significant findings

Investment Property valuation	Description of the risk
	<p>The CIPFA Code requires that the carrying value of investment properties should reflect fair value. For the Council's £199m of investment properties this is using fair value.</p> <p>Due to the high degree of estimation uncertainty associated with market valuations and the issues we reported in the prior year, we have determined there is a significant risk in this area.</p>
	<p>How we addressed this risk</p>
	<p>We have reviewed the Council's approach to revaluing its investment property portfolio as at 31 March 2022 and engage our own expert to test a sample of properties to:</p> <ul style="list-style-type: none"> • Review the methodology used; and • Test the underlying data and assumptions. <p>We also followed up the prior recommendations.</p>
	<p>Audit conclusion</p>
	<p>The have been no significant findings arising from our audit procedures to review the Council's revaluation of its Investment Property. Unadjusted misstatements totalling £7.1m have been recorded in section 6 of this report (please see misstatements 2 and 3).</p>

Net defined benefit liability valuation	Description of the risk
	<p>The valuation of the Council's net liabilities (£700.7m as at 31 March 2022) includes use of discount rates, inflation rates, mortality rates etc., all of which should reflect the profile of the Council's employees and other appropriate data. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.</p>
	<p>How we addressed this risk</p>
	<p>We addressed the risk by reviewing the controls the Council has in place over the information sent to the Scheme Actuary by the fund administrators (LBLPF and LPFA). We also:</p> <ul style="list-style-type: none"> • assessed the skill, competence and experience of the Fund's actuary; • challenged the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; • carried out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation.
	<p>Audit conclusion</p>
	<p>The draft accounts included IAS19 disclosures calculated using data from 2019. As this has been updated to data as at 31 March 2022 further review is necessary. See also notes on significant issues discussed with the Council.</p>

4. Significant findings

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council's on 29 July 2022 and were of a good quality.

Significant matters discussed with management

We discussed the following significant matters with management:

- The position in respect of the Redress scheme, and any potential increase in the provision, the impact of additional cases and any additional funding requirements; and
- The national issue in relation to accounting for infrastructure which has impacted on every local authority with material infrastructure balances. The Council has completed its additional analysis and has updated the draft accounts as necessary, and we have completed our additional audit procedures on these disclosures and processes.
- The national issue in relation to the Council's reporting of its assets and liabilities associated to its membership of the Hackney Pension Fund, and in particular the accounting entries made under the requirements of IAS19. The draft accounts include values based on actuarial reports using information on membership data at the last triennial review (31 March 2019). As the Council received the latest triennial review, which provides actuals for 31 March 2022, the values that would be derived from their use are likely to be materially different to those in the draft

accounts. Auditors cannot place any reliance on the new triennial valuation until the Pension Fund auditor has carried out audit procedures on the membership data that supports the valuation. This is unlikely to commence until July 2023.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. One such objection has been raised which we reported to the Committee in April 2023.



05

Section 05: **Internal control recommendations**

5. Internal control recommendations

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

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

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	0
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0



5. Internal control recommendations

Follow up on previous internal control points

Retention of HR documentation – Level 3

Description of deficiency

As part of our review of redundancies in the year, and verification of amounts and decisions to supporting analysis, we noted one instance where the council was unable to provide appropriate supporting documentation.

Potential effects

As a result of absence of supporting evidence we were unable to confirm the original employment of the individual by the council and that the decision to grant redundancy was supported in line with the Council's approach.

Recommendation

The Council should ensure that all required documentation to confirm employment and the award of redundancy of an individual member of staff is included in the HR systems.

2021/22 update

This continues to be an issue in the current year

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Section 06:

Summary of misstatements

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6. Summary of misstatements

This section outlines the latest misstatements identified during the course of the audit, above the trivial threshold for adjustment of £592,000. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust. Please note that where adjustments hit reserves, these are not included in the total unadjusted misstatement column as we do not double count the unadjusted misstatement on the balance sheet.

The second table outlines the misstatements that have been adjusted by management during the course of the audit. We will update these tables on conclusion of the audit.

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet		
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)	
Page 31	1	DR Accrued income (Debtors)		1,689		
		CR Grant income (CIES)	1,689			
Extrapolated adjustment for Grant income received after year end which should have been included within cost of services income but had not been accrued in error.						
Page 31	2	DR Investment property (Non-current Assets)		6,800		
		CR Financing and investment income and expenditure (CIES)	6,800			
		DR Adjustments between accounting and funding basis (GF Reserves)			6,800	
		CR Capital Adjustment Account (Unusable Reserves)				6,800
Extrapolated adjustment required for Investment Property Valuation increases incorrectly calculated at year end						
Page 31	3	DR Financing and investment income and expenditure (CIES)	311			
		CR Investment property (Non-current Assets)			311	
		DR Capital Adjustment Account (Unusable Reserves)			311	
		CR Adjustments between accounting and funding basis (GF Reserves)				311
Extrapolated adjustment required for Investment Property Valuation decreases incorrectly calculated at year end						
Total unadjusted misstatements		311	8,489	8,800	7,422	

6. Summary of misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
Total unadjusted misstatements c/f		311	8,489	15,600	7,422
4	Dr Revaluation reserve (Reserves) Cr Property, Plant and Equipment (Non-Current Assets) PPE valuation errors (overstatements)			4,909	4,909
Adjustment b/f from 2020/21 reporting (remains valid)					
5	Dr: Provisions Cr: CIES – Service expenditure Dr: Adjustments between accounting and funding basis Cr: Usable General Fund Reserves Adjustment for the removal for Low Traffic Neighbourhood PCN provision as, in light of legal challenge, this provision is no longer required	5,428	5,428	5,428	5,428
Total unadjusted misstatements		5,739	13,917	19,137	17,759

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6. Summary of misstatements

There were no adjusted misstatements in 2021/22 financial year.

Disclosure amendments

The following disclosure amendments have been discussed:

- General: A number of minor presentational and typographical changes made to the financial statements that do not require individual analysis.
- Disclosures:
 - Amendments required as a result of the changes to disclosure for infrastructure assets;
 - Updates to disclosures arising from the revision of the IAS19 values; and
 - A number of minor amendments to details within the financial statements.

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Section 07: **Value for Money**

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7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report soon after issuing the audit opinion.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Suresh

London Borough of Hackney - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of London Borough of Hackney ('the Council') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

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

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



Appendix A: Draft management representation letter

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates are reasonable, including:

- those measured at current or fair value ; and
- provision for Redress.

Contingencies

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

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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

There are no contingent gains which should be disclosed.

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



Appendix A: Draft management representation letter

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

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

Related party transactions

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

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.



Appendix A: Draft management representation letter

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Group accounts

I confirm I consider where any of the Council’s subsidiary companies have not been included within the group accounts prepared, their inclusion would not have a material impact on the accounts.

Unadjusted misstatements

I confirm that there were no uncorrected misstatements.

Subsequent events

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

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

Going concern

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

Private Finance Initiative

I confirm that, to the best of my knowledge, there have been no significant contract variations agreed during the year. There have also been no off-programme lifecycle expenditures.

Yours sincerely

Ian Williams
Group Director of Finance and Corporate Resources

Date:



Appendix B: Draft audit report

Independent auditor’s report to the members of London Borough of Hackney

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of London Borough of Hackney (‘the Council’) and its subsidiaries (‘the Group’) for the year ended 31 March 2022, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council and the Group as at 31st March 2022 and of the Council’s and the Group’s expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Group Director of Finance and Corporate Resources’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Group Director of Finance and Corporate Resources with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

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

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

We have nothing to report in this regard.

Responsibilities of the Group Director of Finance and Corporate Resources for the financial statements

As explained more fully in the Statement of the Group Director of Finance and Corporate Resources’ Responsibilities, the Group Director of Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Group Director of Finance and Corporate Resources is also responsible for such internal control as the Group Director of Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group Director of Finance and Corporate Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Group Director of Finance and Corporate Resources is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

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



Appendix B: Draft audit report

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989 and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and regulations, including fraud.

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

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

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

We are also required to conclude on whether the Group Director of Finance and Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.



Appendix B: Draft audit report

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

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

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

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;



Appendix B: Draft audit report

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

Use of the audit report

This report is made solely to the members of London Borough of Hackney, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council’s Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Suresh Patel Key Audit Partner
For and on behalf of Mazars LLP
30 Old Bailey, London, EC4M 7AU
[date]

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Appendix C: Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

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

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Appendix D: Fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in October 2022. We set out below an indicative analysis of the final fees and will be seeking agreement with the Group Director of Finance and Corporate Resources:

Notes:

1. Since the latest PSAA contract was awarded there have been significant changes to the requirements on auditors by regulators. This has resulted in additional procedures and additional internal review.
2. We are required to carry out additional procedures on the group accounts and the consolidation process.
3. The Code introduces new VFM requirements. We have used the PSAA range plus an estimate of work to address significant weaknesses in arrangements if identified by the risk assessment.
4. Revisions to ISA 540 apply to the 2019/20 audit and we have used the PSAA minimum level of additional fees as the lower end of the proposed range.
5. This memorandum includes enhanced risks which increases the audit work we need to carry out. The additional work falls within the PSAA criteria of fee variations. We will quantify this when we design our specific procedures.

Area of work	2021/22 Proposed Fee	2020/21 Final Fee
Code Audit Work (Scale fee)	£174,266	£174,266
Additional fees:		
- Changes in scope including additional work on PPE valuations and IAS19 (Note 1)	TBC	£19,000
- Group accounts (Note 2)	£5,300	£5,300
- Code changes to value for money (Note 3)	£9,000-£30,000	£15,000
- Revised auditing standard on accounting estimates (Note 4)	£4,400-£10,000	£5,000
- Additional work to address enhanced risks (Note 5)	TBC	£10,500
- Dealing with correspondence / objections	TBC	-
TOTAL	TBC	£229,066

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Appendix E: Other communications

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

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Appendix E: Other communications

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

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Suresh Patel, Partner

Mazars

30 Old Bailey
London
EC4M 7AU

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

Audit Completion Report

London Borough of Hackney
Pension Fund

Year ended 31 March 2022

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For the 21 June 2023 Audit Committee



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Appendix D: Independence & fees

Appendix E: Other communications

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the London Borough of Hackney Pension Fund are prepared for the sole use of the Pension Fund and we take no responsibility to any member or officer in their individual capacity or to any third party.
Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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

Mazars LLP
30 Old Bailey
London
EC4M 7AU

15 June 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions. At the date of this report our audit is substantially complete and we anticipate issuing an unqualified audit opinion when we conclude on the Council's 2021/22 statement of accounts in late July 2023.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented in October 2022. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07977 261873.

Yours faithfully



Suresh Patel
Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of controls; and
- evaluation of unquoted investments.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements and unadjusted misstatements (there are none at present).

Misstatement and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, there are no significant matters outstanding.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, modified to include an 'emphasis of matter' paragraph surrounding the valuation of pooled property investments, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Consistency report

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



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. No such correspondence from electors has been received for 2021/22 for the pension fund.

02




Section 02:




Status of the audit

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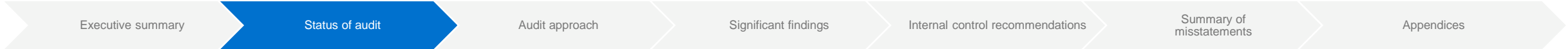
2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Final review procedures		We are currently completing our file review which includes the review of the Engagement Partner. We cannot complete our closure procedures until any outstanding points are resolved.
Final closure procedures		Following completion of review procedures, we need to complete file closedown procedures, including receipt of management’s letter of representation and complete our consideration of post balance sheet events to the date of final sign-off.
Review of Annual Report		Our review of the content of the detailed Pension Annual report to confirm consistency with the financial statements has yet to be completed.

-  Likely to result in material adjustment or significant change to disclosures within the financial statements.
-  Potential to result in material adjustment or significant change to disclosures within the financial statements.
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements.

The Committee should note that we cannot issue the audit reports on the pension fund accounts until we conclude on the audit of the Council’s statement of accounts.



03

Section 03: **Audit approach**

Page 58

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in October 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £18.4m using a benchmark of 1% of net assets available to pay benefits. We set a provisional specific materiality for the fund account of £6m at the planning stage of the audit using a benchmark of 10% of benefits payable/contributions receivable.

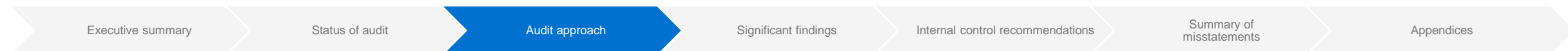
Our final assessment of materiality, based on the final financial statements and qualitative factors was set using the same benchmarks:

- Statement materiality £18.4m, using a benchmark of 1% of net assets available to pay benefits.
- Fund account specific materiality £6m, using a benchmark of 10% of benefits payable.

Use of experts

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

Item of account	Management's expert	Our expert
Disclosure notes on funding arrangements and actuarial present value of promised retirement benefits	Hymans Robertson	NAO consulting actuary PwC
Valuation of investments within level 3 of the fair value hierarchy and related disclosures	Investment managers engaged by the fund that prepare valuations	We have not engaged our own expert for the valuation of level 3 investments to support the valuation of unusual or complex level 3 investments.



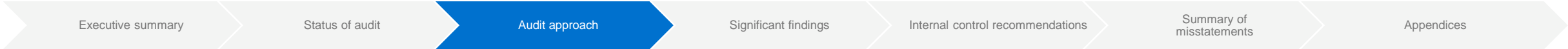
3. Audit approach

Service organisations

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

Page 60

Items of account	Service organisation	Audit approach
The management and maintenance of administrative information to allow for calculation of pension payments, transfers, etc., as well as the actuarial assessment of funding levels based on up to date membership data.	Equiniti	We sought appropriate confirmation that the Council's controls and procedures have operated as designed throughout the year and that no weaknesses have been identified that would have a material impact on the information provided to the Pension Fund by fund managers.
Investment valuations and income and all related disclosures	Investment managers	We obtained direct confirmations from the fund managers and substantively tested transactions occurring in the year and the valuations applied to investments at the year end.
Investment valuations and income and all related disclosures	Custodian	We obtained direct confirmations from the fund managers and substantively tested transactions occurring in the year and the valuations applied to investments at the year end.



04

Section 04: **Significant findings**

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4. Significant findings

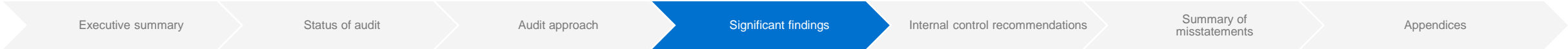
In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 13 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and

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Significant risks

Management override of controls]	Description of the risk
	<p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none"> • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	<p>Audit conclusion</p> <p>There were no significant findings arising from our review of areas of potential management override of controls</p>



4. Significant findings

Valuation of level 3 investments	Description of the risk
	<p>As at 31 March 2022 the Pension Fund held investments with a fair value of £415m (£257m at 31 March 2022) which were identified as level 3 (those where at least one input that has an impact on the valuation is not based on observable market data). These assets account for 21.4% of the Fund's net investment assets.</p> <p>Inherently these assets are harder to value, as they may not have publicly available quoted prices from a traded market, and as such they require professional judgement or assumptions to be made when valuing them at year end.</p> <p>As the pricing of these investment assets is subject to judgements, they may be susceptible to pricing variances due to the assumptions underlying the valuation. We therefore consider that there is an increased risk of material misstatement.</p>
	<p>How we addressed this risk</p>
	<p>We plan to address this risk by completing the following additional procedures:</p>
	<ul style="list-style-type: none"> agree holdings from fund manager reports to the global custodian's report;

Valuation of level 3 investments (continued)	How we addressed this risk
	<ul style="list-style-type: none"> agree the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation; agree the investment manager valuation to audited accounts or other independent supporting documentation, where available; and where audited accounts are available, check that they are supported by a clear opinion.
	<p>Audit conclusion</p>
	<p>We have obtained the majority of the requested confirmations on the valuation of Level 3 investments, but are still awaiting some further information on the valuation methodology.</p>
	<p>At this stage we have no issues to bring to the attention of the Committee but will update once the confirmations have been received and we have completed our review thereof.</p>

4. Significant findings

Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting, appropriately tailored to the Fund's circumstances.

Draft accounts were received from the Fund on 29 July 2022 and were of a good quality. Staff members were timely and extremely thorough in response to evidence requests and audit enquiries.

Significant matters discussed with management

- Investment Valuations. We discussed the impact of Covid-19 on the Pension Fund, including potential impact on risks of material misstatement. This included obtaining confirmation that investment valuations received were based as at 31 March 2022 and not based on estimates. All valuations were appropriately dated for 31 March 2022. Where estimates have been applied, we have requested further information surrounding controls in place at fund managers in order to assess the reasonableness of such estimates.
- Uncertainty of property valuations. RICS guidance was issued to professional valuers which highlighted the potential valuation uncertainties as at 31 March 2022 as a result of the Covid-19 pandemic. We discussed management's assessment of their specific property related investment funds. The pension fund have accounted for the property fund investment as level 3 and therefore no reclassification was required.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Modifications required to our audit report

We include our draft audit report, in full, in Appendix B.

05

Section 05: **Internal control recommendations**

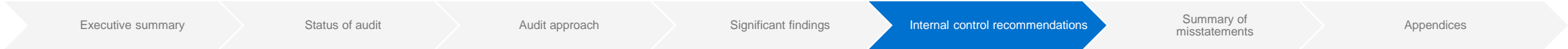
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5. Internal control recommendations

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

There are no matters that we have identified during our normal audit procedures.

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06

Section 06:

Summary of misstatements

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6. Summary of misstatements

Adjusted and unadjusted misstatements

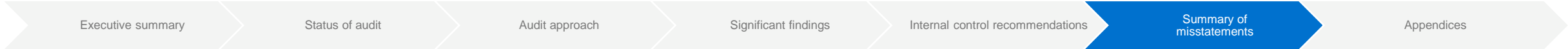
During the audit we have not identified any unadjusted or adjusted misstatements above the trivial threshold.

Disclosure amendments

The following disclosure amendments have been discussed:

- General: A number of minor presentational and typographical changes made to the financial statements that do not require individual analysis.
- Disclosures: A number of improvements to disclosures in the financial statements.

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Appendices

A: Draft management representation letter

B: Draft audit report

C: Draft consistency report

D: Independence & fees

E: Other communications

Appendix A: Draft management representation letter

Mazars LLP
30 Old Bailey
London
EC4M 7AU

Dear Suresh

London Borough of Hackney Pension Fund - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of London Borough of Hackney Pension Fund ('the Fund') for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

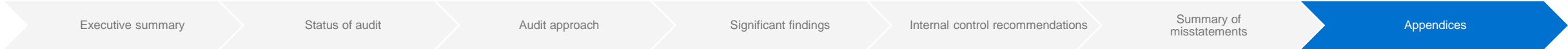
My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Fund you determined it was necessary to contact in order to obtain audit evidence.

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

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



Appendix A: Draft management representation letter

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Fund in making accounting estimates are reasonable, including:

- those measured at current or fair value

Contingencies

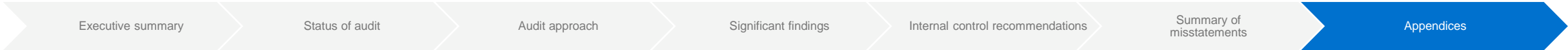
There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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

There are no contingent gains which should be disclosed.

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



Appendix A: Draft management representation letter

Laws and regulations

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

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

Fraud and error

I acknowledge my responsibility as Director of Finance and Property for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

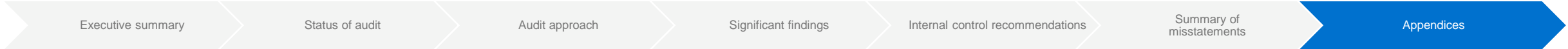
- the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Fund involving:
 - o management and those charged with governance;
 - o employees who have significant roles in internal control; and
 - o others where fraud could have a material effect on the financial statements.

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

Related party transactions

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

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



Appendix A: Draft management representation letter

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Unadjusted misstatements

I confirm that there were no uncorrected misstatements.

Subsequent events

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

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

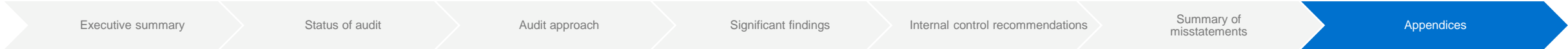
Going concern

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

Yours sincerely

Ian Williams
Group Director of Finance and Corporate Resources

Date



Appendix B: Draft audit report

Independent auditor’s report to the members of London Borough of Hackney Council

Report on the audit of the financial statements

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

We have audited the financial statements of London Borough of Hackney Pension Fund (‘the Pension Fund’) for the year ended 31 March 2022, which comprise the Fund Account, the Net Assets Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

In our opinion the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022, and the amount and disposition of the Pension Fund’s assets and liabilities as at 31 March 2022; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

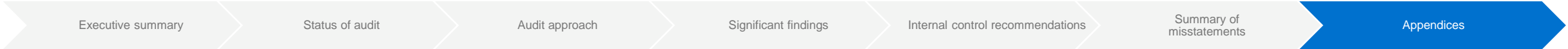
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council, as administering authority for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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Group Director of Finance and Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Group Director of Finance and Corporate Resources with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

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

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

We have nothing to report in this regard.

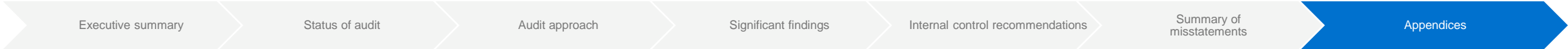
Responsibilities of the Group Director of Finance and Corporate Resources for the financial statements

As explained more fully in the Statement of the Group Director of Finance and Corporate Resources’ Responsibilities, the Group Director of Finance and Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund’s financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Group Director of Finance and Corporate Resources is also responsible for such internal control as the Group Director of Finance and Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Group Director of Finance and Corporate Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution of the Pension Fund without transfer of services or function to another entity. The Group Director of Finance and Corporate Resources is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

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



Appendix B: Draft audit report

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Pension Fund, we identified that the principal risks of non-compliance with laws and regulations related to the Public Service Pensions Act 2013, the Local Government Pension Scheme Regulations 2013 (as amended) and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, [Tailor where the audit team has identified further relevant legislation where work has been required in relation to potential irregularities] and we considered the extent to which non-compliance might have a material effect on the financial statements.

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

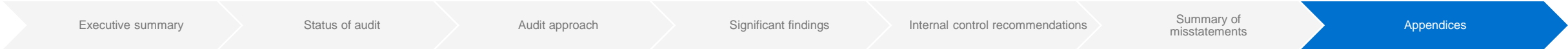
Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to :

- discussing with management and the Audit Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Fund which were contrary to applicable laws and regulations, including fraud.

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

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

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



Appendix B: Draft audit report

We are also required to conclude on whether the Group Director of Finance and Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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

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

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

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

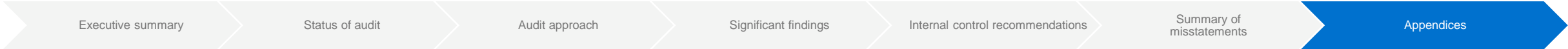
We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of London Borough of Hackney Council, as a body and as administering authority for the London Borough of Hackney Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel
For and on behalf of Mazars LLP
30 Old Bailey, London EC4M 7AU

date



Appendix C: Draft consistency report

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

Report on the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2022 included within the London Borough of Hackney Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of London Borough of Hackney for the year ended 31 March 2022 and comply with applicable law and the IPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

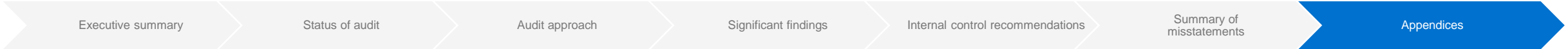
I have not considered the effects of any events between the date I signed my report on the full financial statements [insert date] and the date of this statement.

Respective responsibilities of the Group Director of Finance and Corporate Resources and the auditor

As explained more fully in the Statement of the Group Director of Finance and Corporate Resources’ Responsibilities, the Group Director of Finance and Corporate Resources is responsible for the preparation of the Pension Fund’s financial statements in accordance with applicable United Kingdom law.

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

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



Appendix C: Draft consistency report

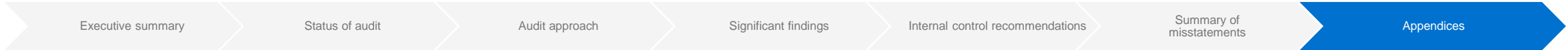
Use of this auditor’s statement

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

[Signature]

Surajh Patel
for and on behalf of Mazars LLP
30 Old Bailey, London, EC4M 7AU

Date



Appendix D: Independence & fees

Independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

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

Fees

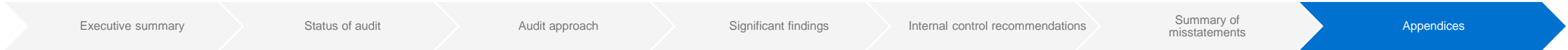
The scale fee is set by PSAA and we levy fee variations for additional work. These are then discussed and agreed with the Group Director and approved by PSAA.

Area of work	2021/22 (Proposed)	2020/21 (Final)
Scale fee	£16,170	£16,170
Additional work and fees:		
• Level 3 investments	£4,500	£4,000
• IAS19 assurances to LB Hackney	£2,800	£2,500
TOTALS	£23,470	£22,760

Appendix E: Other communications

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

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Appendix E: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud Page 82	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Audit Committee, confirming that</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.

Suresh Patel, Partner

Mazars

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

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