

Audit Committee
London Borough of Hackney
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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

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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