

Hertsmere Borough Council

Audit Committee

Minutes of the meeting held in Committee Rooms B & C, Civic Offices, Elstree Way, Borehamwood, WD6 1WA

28 March 2024

Present

Voting Members:

Councillors P Kaza (Chair), S Shah (Vice-Chair), R Georgiou and A Sachdev

Also Present:

Councillors

Officers:

M Bunyon	Head of Finance & Business Services
L Britnell	Client Audit Manager
N Jennings Jackson	Head of Counter Fraud Partner - Government & Public Sector, UK&I Assurance
C Paisley	Director, Public Sector Audit and Assurance, KPMG (External Auditor)
A Witherick	Democratic Services Manager
A Moore	Democratic Services Officer

14. Membership

The Chair welcomed everyone to the meeting and noted that some Officers were participating online.

There had been no changes in membership of the Committee.

15. Communications and Apologies for Absence

Apologies for absence had been received from Councillor P Hodgson-Jones.

16. Declarations of Interest

Councillor R Georgiou declared a non-pecuniary interest in items 5, 6, 7, 8 and 9 as vice-chair of Barracudas Swim Club, which uses InspireAll facilities.

17. Minutes - 30 January 2024 Audit Committee meeting

RESOLVED: the minutes of the 30 January 2024 meeting were **APPROVED** and signed as a correct record.

18. Anti-Fraud Plan 2024-25 report

Officers presented the report then took questions from Members.

Members noted that the 2024-25 audit fee would be £94,530, a 6% increase on the previous year. They asked for an explanation of the rise and what the fee covered. Officers said the largest cost was staff. The fact that the Shared Anti-Fraud Service (SAFS) is hosted by Hertfordshire County Council, which operated an incremental salary increase structure, contributed to this pressure.

Members noted that Hertsmere has a fraud cases rate below the national average. They asked whether this was reflected in the fee, and whether a higher rate would mean a higher fee. Officers said this was covered in the report, adding that the rates of reported and established fraud fluctuate continuously. The rate of allegations had decreased in recent years, but fraud remained a significant risk.

Replying to a Member question, Officers said council tax and housing benefit were the biggest areas of fraud by case number. Staff, procurement and cyber fraud were lower-volume but carried higher potential losses per case. Regarding council tax fraud, Officers confirmed SAFS shared information with the government. For example, the service works with the Department for Work and Pensions (DWP) to identify mismatches in people's residence and council tax status.

RESOLVED: To **APPROVE** the 2024-25 Anti-Fraud Plan.

19. SAFS update report March 2024

Officers presented their report and took questions from Members.

In response to a question, Officers clarified that the referral type titled "other fraud and corruption" (in section 14, table 1) did not include money laundering. Officers assured Members that the council has a separate money-laundering report policy. Reports received through that also came to the Shared Anti-Fraud Service (SAFS).

RESOLVED: To **NOTE** the progress made by Officers and SAFS on delivering the 2023-2024 Anti-Fraud Plan.

20. Internal Audit Plan 2024-25 report

The Internal Auditor presented the report and took questions from Members.

Referring to section 2.14, Members asked how audit days were allocated. They asked whether it was linked to the risk within that area and its potential value to the council. The Internal Auditor said the purpose was to carry out sufficient sampling to provide assurance that double-checks and controls were in place. Fraud risk was considered but it was not directly used in the development of the schedule.

Members noted that the “embedded project assurance” section of the audit was an innovative way of adding assurance to major projects. They asked whether the six days that had been allocated to it came at the expense of any other areas. The Internal Auditor said its inclusion had meant a reduction in other areas, but it was an important audit in itself. The Shared Internal Audit Service (SIAS) expected it to deliver value.

RESOLVED: To **APPROVE** the proposed Hertsmere Borough Council Internal Audit Plan for 2024-25.

21. Indicative External Audit Plan 2024-25

The External Auditor presented the plan and took questions from Members.

Members asked why management override issues were included in the plan, given that there had not been any at Hertsmere. The Director said the inclusion of this was not specific to Hertsmere, but a requirement of international auditing standards.

Replying to a question, the External Auditor told Members there was no duplication of work between external and internal auditors. While external auditors took internal auditors’ work into account, for example reviewing their documents and meeting with them to inform their risk assessment, they do not rely on it.

Members asked whether there was potential for authorities like Hertsmere to grant external auditors read-only access to some of their systems. This had the potential to save time and would eliminate the need for calls and emails requesting information or access. The External Auditor said there was some precedent for this but the benefits had to be balanced against the necessary training and briefing time. Officers said the authority currently communicates with external auditors through a dedicated portal that logs questions and answers, eliminating the need for repeated requests.

Members noted that Hertsmere’s political leadership had changed in May 2023. This had brought changes in the authority’s operations and spending plans. They asked whether the external auditor took this into account in planning and risk assessment work. The External Auditor said planning and risk assessment were major parts of the audit process, accounting for about 20% of all work. The changes members raised would be captured in that.

Members asked when they would expect a yearly audit to be completed, assuming ordinary circumstances and on-time completion of the preceding year’s audit. The External Auditor said September used to be the deadline, and remained the target, for the year ending the previous April. An audit would be considered significantly late after November. Replying to a Member question, the External Auditor said he

main reason for the delay in local authority audits was the complexity of local government accounts. Additional reasons included the large number of Chartered Institute of Public Finance and Accountancy (CIPFA) rules and the difficulty recruiting technical accountants.

Members asked whether the new firm taking over the external audit was up to date and confident it had the resources it needed. The External Auditor said it was.

RESOLVED: The **NOTE** the report.

22. External Audit Results Report 2021-22

The External Auditor presented the 2021-22 External Audit Results Report, and noted that the 2022-23 report was expected to be presented in September 2024. Members were invited to ask questions.

Members asked whether the new external audit firm would be able to meaningfully start its 2023-24 audit until the delivery of the 2022-23 report in September 2024.

The External Auditor said that, ordinarily, the subsequent audit would not be started until the previous one had concluded. However, the sector was in extraordinary circumstances. A statutory instrument, due to come into effect soon, would allow a disclaimer to be given. This would allow the 2023-24 audit to begin.

Members raised the passage on p105, titled "Assessment of Control Environment". This referred to a control deficiency that the Elstree Film Studios (EFS) finance team needed to address. The External Auditor said the Excel spreadsheet referred to in the passage was on a shared server. They did not consider this a secure system for monitoring expenditure. They recommended more training for the two individuals who handled the finance function or more robust systems. Officers noted that EFS was a subsidiary of the council, and therefore covered by the corporate internal audit, and had its own external auditors. They also confirmed that EFS had withdrawn from Hertsmere Borough Council's own IT service and engaged its own, placing its backup and security outside the authority's direct control.

RESOLVED: To **NOTE** the report.

23. Risk Management update report March 2024

Officers told Members this agenda item and the associated paper paper had been included in error. No review or action was required by Hertsmere Borough Council.

24. Any other non-confidential business which the chair considers urgent

There was none.

25. Dates of Future Meetings

The next meeting was scheduled for Thursday 27 June 2024 at 7.00pm.

Subsequent meetings were scheduled for:

30 September 2024

30 January 2025

27 March 2025

Closure: 8.34 pm

Chair