

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 21
SEPTEMBER 2011, AT 7.00 PM

PRESENT: Councillor J Ranger (Chairman)
Councillors W Mortimer, M Pope, R Radford,
C Rowley, N Wilson and J Wing

ALSO PRESENT:

Councillor M Tindale

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Committee Secretary
Simon Chancellor	- Head of Financial Support Services
Alan Madin	- Director of Internal Services
Paul Mitchell	- Principal Accountant

ALSO IN ATTENDANCE:

Paul Dossett,	- Grant Thornton
Helen Maneuf	- Shared Internal Audit Service
Nick Taylor	- Grant Thornton

309 TREASURY MANAGEMENT - MEMBER TRAINING

Members were given a presentation covering Treasury Management by David Chefneux, of Sector. The presentation covered how financial markets impacted on the Council's investment portfolio, how commodities impacted on interest rates and predicted volatile growth by the Bank of England.

Sector referred to the Council's aims and priorities which influenced decisions to invest such as ensuring the security of its capital and how this would impact on interest rates offered.

Members considered how best to maximise the Council's returns in the current economic climate. Clarification was sought and provided on the returns offered by the Council's current Fund Managers and how the Council might move forward to improve on these interest rates. It was noted that the Council had reached its target in terms of investing with one specific bank.

The Chairman, on behalf of Members, thanked David Chefneux for providing an overview of Treasury Management.

RESOLVED – that the training presentation be received.

310 APOLOGY

An apology for absence was received from Councillor P Phillips. It was noted that Councillor C Rowley was substituting for Councillor Phillips.

311 MINUTES

RESOLVED – that the Minutes of the Audit Committee meeting held on 12 July 2011 be confirmed as a correct record and signed by the Chairman.

312 CHAIRMAN'S ANNOUNCEMENTS

The Chairman introduced Helen Maneuf, Head of Assurance of the new Shared Internal Audit Services.

313 TREASURY MANAGEMENT STRATEGY STATEMENT 2010/11 AND CURRENT YEAR REVIEW

The Director of Internal Services submitted a report on the Council's 2010/11 Treasury Management and Prudential Code arrangements and provided an update on the current

year's position. The report complied with the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Financing in Local Authorities (The Prudential Code).

The report covered:

- Capital spending and financing and the impact this had on the Council's indebtedness;
- Reporting of required prudential and treasury indicators;
- Overall treasury position and how the Council has borrowed in relation to its indebtedness and how this impacted on investment valances;
- A summary of interest rates in the year;
- Debt and investment activity; and
- The treasury position as at 31 July 2011.

Members considered the low levels of interest being offered and what approaches might be taken to secure a better rate of return. Sector advised that the Council's prudent approach to investment to ensure the safety of its capital, impacted greatly on the interest rates being offered and that fund managers were finding it increasingly difficult to add benefit in a falling market.

The Director of Internal Services advised that the Council was looking at ways in which a better balance between risk and return might be achieved and was taking the advice of Sector. It was noted that the Council had reached its target of investment with one particular bank and Members considered whether there was a need to change its policy to enable the Council to invest more in any one bank over a limited period.

Members supported the suggestion that the Council should look for more options to improve on the returns offered but that this should be restricted to a term of one year. Members

also supported the suggestion that the Council might have to change its policy to enable investment of more than £10M in any one bank to achieve a better rate of return.

Members received the 2010/11 Treasury Management and Prudential Indicator outturn report and the position as at 31 July 2011. Members also asked officers to investigate options in order to improve on the returns offered but restricted to a term of one year and of the possibility that the Council might have to change its policy to enable investment of more than £10M in any one bank.

RESOLVED – that (A) the 2010/11 Treasury Management and Prudential Indicator outturn be approved;

(B) the current position as at 31 July 2011 be noted; and

(C) Officers investigate options in order to improve on the returns offered but restricted to a term of one year and of the need to consider the possibility that the Council might have to change its policy to enable investment of more than £10M in any one bank to achieve a better rate of return.

314 FINANCIAL RESILIENCE - PRESENTATION BY GRANT THORNTON

A presentation was provided by Grant Thornton on a review of the Council's arrangement for securing financial resilience. The review focussed on key indicators of financial performance, approaches to strategic financial planning, financial governance and financial control.

In all areas mentioned above, an overall assessment of "Green" had been given - there were no causes for concern. Having said that, the External Auditors had made a number of recommendations which had been agreed by senior officers.

Nick Taylor undertook to forward to the Council the detailed

report on the review of the Council's arrangements for securing financial resilience so that this could be appended or linked to the Minutes to provide more detailed information.

Members received the presentation.

RESOLVED – that the presentation be received.

315 EXTERNAL AUDITOR'S ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)

The External Auditor submitted the Annual Report to those charged with Governance (ISA 260) which had been circulated widely to a number of Council committees. The External Auditor drew attention to a number of adjustments in relation to the Hertford Theatre and the short term investments held by the Fund Managers which had been reclassified and in relation a the disposal by auction of a property which had been adjusted to show this as a £25k additional gain on disposal rather than a revaluation.

It was noted that the Audit Commission had completed its work on the Pension Fund and that there was no Pension Fund liabilities this year.

The External Auditor stated that the Accounts could now be signed off.

The Chairman thanked the External Auditors for their report.

Members received the report.

RESOLVED – that the report be received.

316 STATEMENT OF ACCOUNTS 2010/11

The Executive Member for Resources and Internal Support submitted a report setting out the background to the requirements for Members to consider and approve the Statement of Accounts. The report also set out the key changes arising from the move to International Financial

Reporting Standards (IFRS).

The Director of Internal Services reminded the Committee that the draft report had been submitted to Members in July 2011 for comment and that a number of changes had been made. He stated that the current format was more informative than that previously used.

The Chairman referred to the overall reduction of nearly £20m in pension liabilities. The Director of Internal Services stated that actuarial advice had been followed in this regard. It was noted that Hertfordshire County Council would not be increasing its pension contributions for a three year period.

Clarification was sought and provided in relation to where capital receipts were being generated.

Clarification was sought and provided in relation to the Hertford Theatre Impairment charge. The Executive Member for Resources and Internal Support referred to the Council's aim to make the Theatre more viable and to stop the leakage of revenue.

Members received the Council's Statement of Accounts and agreed that they be signed by the Chairman.

RESOLVED – that the Council's Statement of Accounts for the financial year 2010/11 be approved and signed by the Chairman at the conclusion of the meeting.

317 DRAFT 2010/11 ANNUAL GOVERNANCE STATEMENT

The Leader of the Council submitted the Annual Governance Statement 2010/11, which was needed in order to meet the requirements set out in the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

Members were reminded that this report had been submitted to a number of Committees for comment which had resulted in some amendments to the original draft.

Members approved the Annual Governance Statement 2010/11.

RESOLVED – that the Annual Governance Statement 2010/11 be approved.

318 INTERNAL AUDIT SERVICE POSITION STATEMENT

A report was submitted by the Shared Internal Audit Manager, setting out the position statement on internal audit activity undertaken by the Shared Internal Audit Service (SIAS) between 1 June and 19 August 2011. The update on the outstanding audit recommendations was set out in Essential Reference Paper “B” attached to the report now submitted.

The Shared Internal Audit Manager explained that the service had been very busy setting up new ways of working to establish the service. She referred to the fact that it was the intention to provide the attached information in a new format which would still give Members the opportunity to monitor progress.

Clarification was sought and provided on those recommendations set out in Essential Reference Paper “B” which were still indicated as “High” risk.

Members received the report.

RESOLVED – that the report be received.

319 RISK MANAGEMENT MONITORING REPORT 1 MAY - 30 JUNE 2011

The Leader of the Council submitted a report on action taken to mitigate and control strategic risks during the period May and June 2011. The Director of Internal Services stated that new risks had been identified following meetings with Zurich Insurance. The risk register had therefore been revised for 2011/12 and actions taken to mitigate risks had been updated. This was set out in Essential Reference Paper “B” which had

been modified to reflect this advice.

Members received the report.

RESOLVED – that the action taken to mitigate and control strategic risks during the period 1 May to 30 June be noted.

320 AUDIT COMMITTEE WORK PROGRAMME

The Manager of Corporate Risk submitted a report detailing the work programme for Audit Committee for the civic year for consideration. The Chairman sought suggestions for training at the next meeting in November, 2011.

Members sought a suggestion that training be provided at the next meeting and it was agreed that this would be Corporate Governance. The Director of Internal Services undertook to set this up.

Members received the work programme, as amended.

RESOLVED – that (A) the work programme for Audit Committee as amended, be approved; and

(B) Member Training be provided at the next meeting of Audit Committee on Corporate Governance.

The meeting closed at 9.15 pm

Chairman
Date