

Internal Audit report - Treasury Management

Audit Committee

Date: 4th February 2014

Author: Head of Internal Audit

Wards: None

Locality Affected: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 The terms of reference for the Audit Committee sets out that one of the purposes of the Committee is to provide *'effective scrutiny of treasury management policies and practices including the annual investment strategy'*.
- 1.2 Internal Audit carries out an annual audit of the Council's treasury management process. The report attached provides the Committee with assurance regarding the internal control arrangements in place within the treasury management process.
- 1.3 The Council's Audit Committee has a strategic role to ensure that the Council's assurance framework is operating effectively. To this end it should seek assurance that key areas that contribute to this framework are operating effectively.

2. Recommendations

- 2.1 It is recommended that the contents of the report be noted.

3. Detail

Background

- 3.1 Treasury Management is defined by the Chartered Institute for Public Finance and Accountancy (CIPFA) as the *"management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks"*. The Council's Treasury Management objectives for 2013/14 are as follows:

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- Part of the treasury management operation is to use the cash management process to ensure that the Council's cash flow is adequately planned, and cash is available when needed. The Council has a low risk appetite for investments, therefore available surplus cash is invested in low risk counterparties or instruments providing adequate liquidity initially before considering the investment return.
 - The second function of the treasury management service is the longer term cash flow planning, to ensure that the Council can meet its capital spending obligations. This may involve arranging long or short term loans, or using longer term cash flow surpluses.
- 3.2 A paper regarding the Treasury Management Strategy for 2014/15, including Prudential Indicators up to 2015/16, the Annual Investment Strategy, and the Minimum Revenue Provision Policy Statement is included on this meeting's agenda.
- 3.3 Internal Audit carries out an annual audit of the Council's treasury management process. Key findings from the audit are set out below:

Key Findings

- 3.4 Performance and benchmarking reports viewed during the audit show that the Treasury Management function has achieved higher than average rates for their return on investments and lower than average interest rates on borrowing.
- 3.5 It was found that the Treasury Management function continues to be compliant with the CIPFA Code of Practice for Treasury Management
- 3.6 The auditor found the internal control arrangements to of a *high standard* resulting in only a moderate risk to the Council.
- 3.7 Only one recommendation has been included in this report i.e. for the Treasury Management Strategy to be presented to the Audit Committee for scrutiny prior to the start of the financial year, in order to allow for amendments to be made before it is presented to Cabinet for approval.
- 3.8 The Internal Audit report is attached as Appendix 1 to this report.
- 3.9 The Head of Finance: Housing, Treasury and Growth will be attending Audit Committee to answer any questions that Members may have.

4. Alternative Options

- 4.1 Not Applicable

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5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report however the detailed audit report addresses the suitability of internal controls within the systems examined

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2011. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of internal control within the Council will help to ensure that the Council's corporate objectives and those set out in One Swindon are achieved.

Diversity Impact Assessment

- 5.5 Not Applicable

Risk Management

- 5.6 Not applicable

6. Consultees

- 6.1 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

7. Background Papers

- 7.1 None

8. Appendices

- 8.1 Appendix 1 – Internal Audit report: *Treasury Management*