

Internal Audit report - Treasury Management

Audit Committee

Date: 21st April 2015

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"*.
- 3.2 A paper regarding the Treasury Management Strategy for 2015/16, including Prudential Indicators, 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 The auditor found the internal control arrangements to of a *high standard* resulting in only a moderate risk to the Council.

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- 3.5 Investments are made with organisations that offer a low risk of default. Whilst investment return is not a priority, given the current rates of interest, the rates received are slightly above the benchmark and borrowing rates are below the average lending rates.
- 3.6 It was found that the Treasury Management function continues to be compliant with the CIPFA Code of Practice for Treasury Management.
- 3.7 Internal Audit recommendations made are all of a medium or low priority. The Internal Audit report is attached as Appendix 1 to this report.
- 3.8 The Head of Technical Finance will be attending Audit Committee to answer any questions that Members may have.

4. Alternative Options

- 4.1 Not Applicable

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

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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*