

APPENDIX 2



Internal Audit Report

Chief Executive's Unit

Interim Audit: Review of Treasury Management

October 2008

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1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Treasury Management for the Chief Executive's Unit as part of the 2008/09 Internal Audit programme.

Treasury Management is defined as "The management of the local authority's 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."

Treasury Management adopted the CIPFA Code of Practice on Treasury Management in Public Services and also has regard to the Prudential Code. These codes are to ensure that the Council's capital investment plans are affordable, prudent and sustainable and that the Council set out its Treasury Management Strategy for borrowing and investment.

2 AUDIT SCOPE AND OBJECTIVES

The scope of this review is limited to the Internal Control Questionnaire (ICQ) issued to the relevant department contact for completion and to establishing that any good practice issues remaining outstanding from the previously issued Major Capital Audit – Overview had been updated. These issues as they relate to Treasury Management are set out at Appendix 2.

The broad objectives of the review were to ensure:

- Treasury Management Strategy – ensure strategy is sufficiently comprehensive to address the full range of good practice issues
- Treasury Management Monitoring Reports – verify that reports review performance and are comprehensive and timely
- Borrowing and Loan Charges – review method of calculating and charging loan charges and monitoring against budgets and forecasts
- Cash Flow – ensure treatment of cash flow adopts good practice and reflects revenue and capital forecasts and budgets.

3 CORPORATE GOVERNANCE

There are no corporate governance issues to be reported as a result of this audit.

4 MAIN FINDINGS

Internal Audit referred to the Council Constitution, the Treasury staff and their procedures. The answers provided on the ICQ were verified for all the areas analysed:

- Policies and procedures
- Staffing
- Records and Reconciliations
- Monitoring and reporting
- Borrowing
- Cash flow
- Capital investment

5 RECOMMENDATIONS

No recommendations were identified as a result of this audit.

6 AUDIT OPINION

The auditor is satisfied that the section has answered the ICQ in an appropriate manner. Based on the findings we can conclude that the Treasury Management function follow Treasury Management good practices and aim to ensure there are comprehensive procedures in place for contingency planning reasons.

7 ACKNOWLEDGEMENTS

Thanks are due to all the staff within Treasury Management Section for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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