



## **Internal Audit Report**

### **Treasury Management Audit**

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**June 2016**

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# 1 Introduction

The Chichester District Council Treasury Management and Annual Investment Strategies for 2015/2016 were written in accordance within the CIPFA guidance and legislation and approved by Cabinet and full Council in March 2015. These documents set out the Council's investment priorities and proposed treasury activities for the year 2015/16 and included; approved investment counterparties, investment limits, and the policies on financial risks and reporting requirements.

## 2 Scope

2.1 The scope for this audit review was agreed as follows and ensures that:

- the CIPFA code on Treasury Management practice has been adopted,
- both a treasury management policy statement and suitable treasury management practices have been adopted,
- regular reports are submitted to the Cabinet and full Council,
- implementation, monitoring, and execution of treasury management responsibilities are delegated to a suitable responsible officer,
- And all documented internal procedures are current and updated on a regular basis.

## 3 Testing and Findings

3.1 A sample of 25 investments made during the year 2015/16 were examined to establish that;

- a) a daily cash flow was undertaken when investments were made,
- b) the investment was within the limits set by the Treasury Management Strategy Approved Investment Counterparty List and, where relevant, within the limit set by the Arlingclose counterparty list,



- c) all the relevant documentation had been retained to support the investment, including the appropriate treasury dealing forms authorised by a relevant senior officer who had not been involved in making the deal, and
  - d) the correct interest had been received by CDC.
- 3.2 The entire sample selected was found to comply with; the investment limits, had the relevant supporting documentation including the relevant treasury dealing form and had been appropriately authorised by a senior officer. The interest, where this had matured, had also been correctly received. A cash flow statement was also completed for all the days sampled.
- 3.3 A reconciliation of the treasury management system to the general ledger (Civica) had not been performed on a regular basis. However, in January 2016 one was completed for the period from April to December 2015. It is important that regular reconciliations are undertaken to ensure that any potential discrepancies are revealed.
- 3.4 The reconciliation was undertaken by the Group Accountant (Treasury Management & Capital/Asset Register Project) and the Group Accountant (Technical & Exchequer). It is best practice that reconciliations are undertaken by staff that are not involved in the treasury daily processes. This was recognised within the service and in future reconciliations are to be completed by the Trainee Assistant Accountant and all future reconciliations will be reviewed and signed off by a senior officer, either the Group Accountant (Revenue and Capital) or the Accountancy Services Manager. The service is working with ICT to enable an electronic signature to sign off future reconciliations.
- 3.5 The CDC Treasury Management Strategy and Annual Investment Strategy for 2015/16 were written in accordance with CIPFA guidance and legislation. It was approved by the Cabinet and full Council in March 2015.
- 3.6 There were found to be documented updated internal procedures. These have been updated for the new treasury management system. However they need to be dated to ensure adequate version control.



## 4 Conclusion

- 4.1 Overall, the controls appear to be working satisfactorily in relation to treasury management system. However, the reconciliation process could be improved in order to strengthen the existing controls. This includes; more frequent reconciliations, an independent review of reconciliations and evidence that this has been achieved by a dated sign off of the review. Therefore three recommendations have been made. (See Action Table at Appendix 1).
- 4.2 In order to prioritise the issues raised, the following traffic light indicator has been used:

- 4.3    Red –    Significant issues to be addressed
- Amber – Important issues to be addressed
- Green – Minor or no issues to be addressed

## 5 Action Plan – Appendix 1

Paragraph Ref	Recommendation	Officer	Priority	Agreed?	Comments	Implementation Date
<b>3.3</b>	All reconciliations of the treasury management system to the general ledger are undertaken at least quarterly.	<b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b>	Amber 	Yes	The need to reintroduce regular reconciliations following the service review was already accepted by management. Actions to ensure appropriate, regular reconciliations with suitable separate of duties were already underway and monthly reconciliations have commenced from April 2016.	Already achieved
<b>3.4</b>	Treasury management reconciliations must be reviewed, authorised and dated.	<b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b>	Amber 	Yes	See response above	Already achieved

<b>3.4</b>	The treasury management reconciliations are undertaken by an officer who is not involved in the daily treasury management process.	<b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b>	Amber 	Yes	See response above	
<b>3.6</b>	It is suggested that the treasury management procedures are dated to ensure adequate version control.	<b>Mark Catlow, Group Accountant (Technical &amp; Exchequer)</b>	 Minor (Green)	No	There is only one version of the procedures (the most current) and version control is not relevant.	Not applicable