

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 21-11
TREASURY MANAGEMENT

EXECUTIVE SUMMARY

Introduction

The Council defines Treasury Management as “the management of the Council’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”. Responsibility for treasury transactions is delegated to the Director of Resources, the Financial Services Manager and the Finance Systems Accountant.

The Council’s treasury function is subject to a degree of self-regulation, a key element being the Treasury Management Strategies for 2020/21, approved by Council in February 2020, and for 2021/22, approved by Council in March 2021. These include a framework of borrowing limits and prudential indicators designed to ensure that treasury and capital investment decisions are prudent and affordable. The Strategy is supplemented by detailed Treasury Management Practices which are aimed to demonstrate compliance with the CIPFA Code of Practice for Treasury Management.

The Council currently has £35.5m of long-term borrowing from the Public Works Loan Board, with maturity dates between 2022 and 2053. No short-term loans were taken out in 2020/21 or 2021/22.

During the two financial years under review, surplus funds have been invested either directly with approved counterparties or in an interest-bearing deposit account with the Council’s bankers, HSBC plc.

Audit Objectives

An audit of this system forms part of the agreed 2021/22 programme. The audit objectives were to evaluate and test the internal controls over the Treasury Management process. The scope and objectives of the audit are the same as those discussed and agreed with the Accountancy Services Manager for the previous audit of 2019/20.

Our audit coverage excludes any activities on the part of the Council involving the use of derivatives or complex financial instruments.

Audit work included a control evaluation of the system design and testing the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
Three important issues
One previous recommendation

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that, while there is a basically sound system of control, there are weaknesses that may put the system objectives at risk.

Internal Audit have made three Priority 2 recommendations relating to:

- the Director of Resources ensuring that quarterly treasury management monitoring reports are consistently presented to Executive Committee;
- the Financial Services Manager ensuring that Counterparty confirmations are retained on file for all investments and that they are checked for accuracy; and
- the Financial Services Manager ensuring that PWLB loan repayment schedules are checked for accuracy.

In addition, Internal Audit reviewed the agreed Priority 2 recommendation made in audit report 19-11, which relates to the Accountancy Services Manager ensuring that the Treasury Manual incorporating the Treasury Management Practices is regularly reviewed and updated. This recommendation remains outstanding.

Management Response

Constructive responses were received from the Director of Resources and Financial Services Manager, accepting or partially accepting the recommendations.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.