

Type: System **SUBJECT: Treasury Management** Date: November 2009

Introduction

The Authority uses its Treasury Management policy to help manage its cash flow throughout the financial year by borrowing or investing funds on a short-term basis. All PWLB loans i.e. the long-term borrowing was repaid in 2003/04 effectively making the Authority debt free. The only exception to this is a £1M LOBO that was taken on favourable fixed rate terms and contains a break clause that allows the Authority to repay, with no penalty, if the lender increases the interest rate. The loan was not repaid during 2008/09 as it was not considered cost effective and this strategy has been maintained for 2009/10.

Since repaying the PWLB loans the Authority has been in a position to make substantial investments on a short-term basis by opening a higher interest account with the Bank of Scotland (BoS). The transfers from the Co-op account to the BoS are classed as 'specified investments' and have realised a better interest rate rather than leaving the funds in the Co-op account(s). Investing with external organisations on short-term investments and bank deposits have generated net interest of £181k for 2008/09.

Scope and Coverage

The audit review was undertaken using the systems-based auditing approach, identifying the system and controls, evaluating and testing in relation to the system objectives.

All documentation has been updated as appropriate. A draft report has been produced with findings and conclusions to be discussed with management prior to inclusion in the final report.

This year's testing encompassed the Key Controls and an examination of the system. Policy Statement, investments loans, authorities, cash flow, interest calculation, bank transfers, registers and control accounts were examined

Recommendations

High/Significant risk recommendations – none

There were no recommendations.

Governance Statement assessment

There are no major control issues within the treasury management function.