

Type: System **SUBJECT: Treasury Management**

Date: July 2007

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 was a £1M LOBO that was taken on favourable terms and contains a break clause that allows the Authority to repay, with no penalty, if the lender increases the interest rate.

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 better returns than either leaving the funds in the Co-op account(s) or investing with external organisations.

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. Findings, conclusions and recommendations have been discussed with management prior to being included in a formal report or memorandum.

This year's testing encompassed the Key Controls, as agreed with the External Auditor, together an examination of the system. Policy Statement, investments loans, authorities, cash flow, interest calculation, bank transfers, registers and control accounts were examined. In addition contingency planning, insurance, and investment/loan transactions within the cash system was also looked at.

Recommendations

High/Significant risk recommendations – none

There were no recommendations.

System Control assessment

The Treasury Management function continues to operate with a good level of control.