



Treasury Management

City of York Council

Internal Audit Report 2017/18

Business Unit: Customer & Corporate Services
Responsible Officer: Director of Customer & Corporate Services
Service Manager: Corporate Finance & Commercial Procurement Manager
Date Issued: 3 April 2018
Status: Final
Reference: 10150/008

| | P1 | P2 | P3 |
|------------------------------|----------------|----|----|
| Actions | 0 | 0 | 0 |
| Overall Audit Opinion | High Assurance | | |

Summary and Overall Conclusions

Introduction

The principal roles of the Treasury Management function are to:

- manage the council's cash flows,
- invest surplus money on the money markets to maximise the return on cash balances,
- ensure that the council's financial needs are met through long-term borrowing.

The actions of the section are governed by the Treasury Management Strategy, approved annually by members.

During 2016/17 the Council maintained an average investment balance of £108.55m compared to £104.57m in 2015/16. During 2016/17 the surplus funds earned an average rate of return of 0.49% compared to 0.555% in 2015/16. At the end of 2016/17 total borrowing was £261.3m.

Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that procedures and controls within the system ensure that:

- an appropriate Treasury Management strategy is place;
- decisions about loans and investments are reasonable and are appropriately authorised and documented;
- all loans and investments are accurately accounted for;
- prudential indicators are accurately calculated and appropriately monitored.

Key Findings

An appropriate treasury management strategy is in place. It is approved by Members before the start of the financial year. A mid-year review and end of year out-turn are reported to Members.

The decision process about whether to borrow is reasonable. Borrowing is appropriately authorised and well-documented. The Council's investment needs are assessed on a daily basis, clear records are kept and all transactions are appropriately authorised. Live working papers are updated to reflect changes as they happen. All investments follow the guidelines in place for acceptable institutions and time-limits. All transactions, including interest, are recorded in the General Ledger.

Monthly reconciliations between investment records and the General Ledger are carried out. Any differences identified are investigated and explained.

The basis for calculation of the Prudential Indicators is sound and they are accurately reported to Members in a timely manner.

Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

Audit Opinions and Priorities for Actions

Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

| Opinion | Assessment of internal control |
|-----------------------|---|
| High Assurance | Overall, very good management of risk. An effective control environment appears to be in operation. |
| Substantial Assurance | Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified. |
| Reasonable Assurance | Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. |
| Limited Assurance | Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. |
| No Assurance | Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse. |

Priorities for Actions

| | |
|------------|--|
| Priority 1 | A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management. |
| Priority 2 | A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management. |
| Priority 3 | The system objectives are not exposed to significant risk, but the issue merits attention by management. |

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