



## Core financial systems review of treasury management

**Committee**            Audit and Standards

**Date of meeting**    30 November 2018

**Date of report**     7 November 2018

### Report by Assistant Chief Executive

#### 1. Object of report

To advise the committee on the findings of a core financial systems review of treasury management. This engagement is included in the annual Internal Audit plan for 2018/19.

#### 2. Background

The Chartered Institute of Public Finance and Accountancy (CIPFA) define treasury management as follows:

*'The management of the organisation'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.'*

The Financial Regulations contained within the governance manual provide policy and procedural guidance on treasury management arrangements.

The objective of this engagement was to assess and evaluate the treasury management system and test internal controls by undertaking an end to end review in accordance with statute, Scottish Government Finance Circulars and CIPFA codes of practice.

This engagement tested elements of the internal controls and mitigation against SPT 11: current economic conditions continue to adversely impact on SPT's return on cash reserves, as identified in the Corporate Risk register.

#### 3. Outline of findings

CIPFA has recently published updated codes of practice, namely *treasury management in public services* (July 2018) and *the prudential code* (September 2018). This guidance gives practitioners a practical interpretation of statute (the Code) to enable them to meet its key principles of ensuring that capital programmes are affordable, prudent and sustainable and to explain this effectively to those charged with governance. The standard setters will incorporate the Code into accounting practices from 2019/20 onwards.

Treasury management encompasses cashflow, debt management and investments.

Engagement sample testing on cashflow processes including reconciliation and authorisation arrangements were found to be satisfactory.

As at the date of this report, SPT is debt free.

SPT's investment policy priorities are security first, liquidity second and then return, to provide security of investment and minimisation of risk.

Engagement testing found that authorisation arrangements for the movement of investments (notice accounts) were applied in accordance with procedural guidance.

The engagement identified a requirement to provide Members with overview training on treasury management to enhance their understanding of technical accounting matters.

There is an area for improvement, and this area has been addressed by a recommendation. Finance management have agreed to implement this recommendation, which is currently being actioned.

#### **4. Conclusions**

The Audit and Assurance team has undertaken a core financial systems review of treasury management. A recommendation has been agreed from this engagement.

Key controls exist and are applied consistently and effectively in most areas tested in this engagement.

Sound assurance in most areas can be taken from the internal controls in place.

#### **5. Committee action**

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendation to a meeting in approximately six months.

#### **6. Consequences**

Policy consequences	<i>None.</i>
Legal consequences	<i>None.</i>
Financial consequences	<i>None.</i>
Personnel consequences	<i>None.</i>
Social Inclusion consequences	<i>None.</i>
Risk consequences	<i>As detailed in the report.</i>

**Name** Valerie Davidson

**Name** Gordon MacLennan

**Title** Assistant Chief Executive

**Title** Chief Executive

For further information, please contact Iain McNicol, Audit and Assurance Manager on 0141 333 3195.

## Agreed action plan: Core financial systems review of treasury management

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1	<u>Member training</u>  In recognition of the increasingly technical complexity of Treasury Management and the recently updated codes of practice; Finance Management should assess the requirement for Treasury Management overview training for Members.	Medium	Treasury management overview training will be provided for Members.	Director of Finance & HR	February 2019

**High:** A fundamental control that should be addressed as soon as possible;

**Medium:** An important control that should be addressed within three months;

**Low:** An issue which is not fundamental but should be addressed within six months to improve the overall control environment.