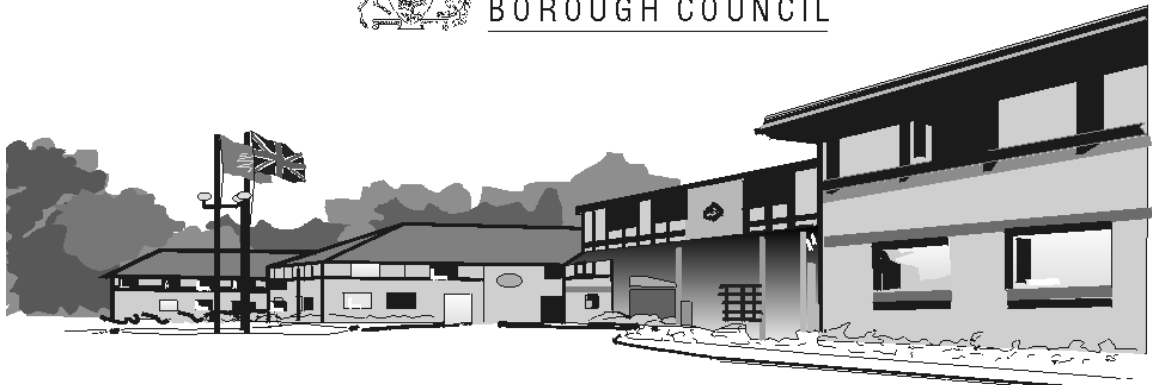




GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT

Report

2004-2005

Lending & Borrowing

Key Financial System
Suresh Mistry
Mar 2005

GEDLING BOROUGH COUNCIL
INTERNAL AUDIT REPORT
KEY FINANCIAL SYSTEM AUDIT
LENDING & BORROWING

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1. INTRODUCTION

- 1.1 An audit of Lending and Borrowing has been carried out in accordance with the 2004/05 Audit Plan. The audit concentrated on the lending and borrowing operations undertaken by the Authority and the records maintained of the Loans.
- 1.2 The review identified and examined the current procedures, internal controls and system of lending and borrowing as part of treasury management, the cash flow forecasts, selection of counterparty, calculation of interest and recording it in the Authority's accounting systems, evaluating their effectiveness in ensuring the control objectives stated below:
- All loans are properly authorised, received and recorded.
 - Security arrangements are effective.
- 1.3 The Assistant Accountant is responsible for the maintenance of lending and borrowing, the adoption of CIPFA's Code Of Practice on treasury Management in Local Authorities. **The prudential code for Capital Finance** in Local authorities, introduced by the Local Government act 2003 has meant certain changes in capital spending plans considered for approval and development of integrated treasury management strategy. The Financial Services Manager together with the Principal Accountant and Assistant Accountant carry out the daily dealings of the cash surpluses or deficits, and advice from the counterparties of the terms and rates prevalent on the day.

2. CONDUCT OF AUDIT

- 2.1 The audit terms as referenced in the Matrix for Lending and borrowing and compiled for this assignment were followed.
- 2.2 Discussions were held with the Assistant Accountant to establish the system and procedures that are adopted in treasury management operations.
- 2.3 System notes obtained from previous audit files and the system procedures were reviewed and notes documented and updated.
- 2.4 Testing was undertaken on the key controls to assess compliance and provide assurance that they are operating effectively. The testing concentrated on investment with the approved counterparty, maintenance of the loan register (red book) and processing of transfers and receipts of earned interest on the investment.
- 2.5 Substantive testing of sample transactions was conducted to ensure the validity of such transactions and that they were properly recorded in the register and reconciled to FMS.
- 2.6 The assistance and co-operation of all staff involved in this audit assignment is acknowledged and appreciated.

3. EXECUTIVE SUMMARY

- 3.1. The controls identified by this audit assignment are operating effectively.
- 3.2. There were no borrowing requirements in the current financial year.
- 3.3. The investment procedures after the cash flow forecast, the selection of counterparty based on terms and rates, maintenance of register (red book), monitoring and reconciling of interest and principal to FMS system provide adequate control on treasury management operations of the Authority,
- 3.4. The register [red book] and supporting documents of all loan arrangements are maintained in accordance to the current regulation and transactions recorded are referenced accordingly.
- 3.5. The audit found the controls in place to be satisfactory.

3.7 CONCLUSION

Overall the procedures and systems in place for Treasury Management are satisfactory.

AUDIT ASSURANCE

As a result of the work undertaken during the audit, it is concluded that the system of Treasury Management is well controlled and the majority of controls are sound and well applied