



**INTERNAL AUDIT**  
**FINAL REPORT**

**Title: Lending & Borrowing Review**

**Report Distribution**

For Information:	Sue Healey	Principal Accountant
	Bev Beal	Assistant Accountant
	Alison Ball	Financial Services Manager
	Mark Kimberley	Head of Finance
	David Kenworthy	Audit Commission

Prepared By: Suresh Mistry

Draft Issued: N/a

Final Issued: 27<sup>th</sup> October 2006

Contents	Page
Executive Summary	2
Introduction	3
Annex A – Audit Definitions / Responsibilities	4-5

## EXECUTIVE SUMMARY

---

### Introduction

The Authority adopts 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, meant certain changes in the capital spending plans of the integrated Treasury Management Strategy. The authority has since revised the code to account for developments and legislation that affect this function.

The Financial Services section within the Finance Department, are responsible for the operational function of Treasury Management activities. The officers review cash flow forecasts, select counterparty, calculate interest and record entries in the Authority's accounting system. The Financial Services Manager together with the Principal Accountant and Assistant Accountant carry out the daily activities in dealing with cash surpluses or deficits. Consideration is given to advice provided by the counterparty with respect to the terms and rates prevalent on the day.

Internal Audit undertook the review to provide assurance that Lending and Borrowing arrangements and procedures in place are effective in providing adequate control to comply with the CIPFA Code Of Practice and Treasury Policy statement. In addition, a review of the progress against the recommendation made in the previous audit review was undertaken.

### Principal Findings

	High	Medium	Low
Number of recommendations	0	0	0

The detailed findings and associated recommendations are provided in the second part of the report. There were no recommendations identified during the review.

### Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

## **INTRODUCTION**

---

### **Objective & Scope**

To ensure that Lending and Borrowing arrangements are undertaken in an effective and secure manner and complies with current legislation and CIPFA's Code of Practice. The treasury management strategy statement for the period should incorporate all the requirements.

The scope of the review will incorporate the Lending and Borrowing procedures, internal controls and system relating to cash-flow forecasts, selection of counterparty, calculation of interest and entry into accounting system and access and security

Review of progress against outstanding recommendation from previous audit was undertaken. The recommendation required that three additional officers be included in the Fidelity Insurance Guarantee. As there are only job titles included on the insurance certificate, it is considered that by amending the title to be plural all officers would be included.

The key risks associated with the system objectives are:

- The Treasury Management function does not comply with statute and regulation.
- Arrangements with external service providers are not documented.
- Unauthorised lending and borrowing not disclosed.
- Investment and borrowing records are incorrect and incomplete
- Investment and borrowing transactions are not legitimate and appropriate.
- Information and data on system is not protected from loss or damage or unauthorised disclosure.

The control areas included within the scope of the review are:

- Lending and Borrowing procedures, internal controls and system relating to cash-flow forecasts, selection of counterparty, calculation of interest and entry into accounting system.
- Access and security arrangements.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

### **Acknowledgement**

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.