



INTERNAL AUDIT
FINAL REPORT

Title: Lending & Borrowing Review

Report Distribution

For Action: Sue Healey Principal Accountant
Bev Beal Assistant Accountant

For Information: Mark Kimberley Head of Corporate Services
Sally Smith Audit Commission

Prepared By: Suresh Mistry

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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 within the Corporate Services 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 interest 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.

Principal Findings

	High	Medium	Low
Number of recommendations	0	0	1

There were no high or medium risk 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

There were no outstanding recommendations from the previous audit.

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.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - PWLB Authorisations Level of Risk - Low</p>			
<p>The Local Authority Authorisations document for Public Works Loan Board [PWLB] requires updating to reflect the correct names and title of the designated officers.</p>	<p>Incomplete authorisation records.</p>	<p>The authorisation document should be completed and filed with the correct designated officers with PWLB and a copy retained on file.</p> <p>Action: Sue Healey – Principal Accountant.</p>	<p>Management Comment: Agreed. Current version has correct officers, however, name change due to marriage required, in addition the job title of another has changed.</p> <p>Planned Corrective Action: Submit revised signature schedule to PWLB.</p> <p>Timescale: Immediate – form downloaded and awaiting authorised signature.</p>

ANNEX A

Risk & Assurance – Standard DefinitionsAudit Recommendations

Audit recommendations are categorised, depending upon the level of associated risk, as follows:

Level	Category	Definition
1	High	Action is essential to manage exposure to fundamental risks.
2	Medium	Action is necessary to manage exposure to significant risks.
3	Low	Action is desirable and should result in enhanced control or better value for money.

Assurance Statement

Each report will provide an opinion on the level of assurance that is provided with respect the risk emanating from the controls reviewed. The categories of assurance are as follows:

Category	Definition
No	The majority of the significant risks relating to the area reviewed are not effectively managed.
Limited	There are a number of significant risks relating to the area reviewed that are not effectively managed.
Substantial	The risks relating to the objectives of the areas reviewed are reasonably managed and are not cause for major concern.

What Happens Now?

The final report is distributed to those involved with discharging the recommended action, the Head of Corporate Services, Audit Commission and, where applicable, the relevant Heads of Service.

A synopsis of the audit report is provided to the authority's Audit Committee. Internal Audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review or Vince Rimmington, Manager of Audit & Risk Services on telephone number 0115 9013850 or via e-mail to vince.rimmington@gedling.gov.uk