



# Final Internal Audit Report

## Treasury Management 2020/21

Issued by the Head of Internal Audit, May 2021

Audit Assurance Opinion	Effective	Evaluated controls are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives are being met.
	Reasonable	Some specific control weaknesses were noted and some improvement is needed; evaluated controls are generally adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
	Limited	Evaluated controls are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
	Ineffective	Evaluated controls are not adequate, appropriate, or effective. Internal Audit cannot provide reasonable assurance that risks are being managed.

Distribution List	<b>Accountable Officers:</b>	B Mew, Chief Finance Officer and Section 151 Officer  M McKissock, Finance Manager (Compliance)  J Sturman, Senior Accountant (Treasury and Capital Management)
	<b>For Information:</b>	Strategic Management Team  Cabinet Member with responsibility for Resources, Cllr M Cook  Audit and Governance Committee  Ernst & Young (External Auditor)

## Adequacy of Individual Control Areas

Audit Scope by Control Area	Findings with a Potential Corporate Risk Level of:			Control Adequacy
	High	Medium	Low	
Cashflow	0	0	0	Effective
Investments	0	0	0	Effective
Borrowing	0	0	0	Effective
<b>OVERALL</b>				<b>Effective</b>

### 1. Executive Summary

- 1.1 Treasury Management is the management of an organisation's investments and cash flows, its banking, money market and capital market transactions. Financial Services Corporate Performance and Risk Management are responsible for the administration of Treasury Management at East Suffolk Council.

At the time of the audit the Council had the following investments and borrowings:

Term Investments (invested for a specified time period)	£158m
Call Account Investments (invested with no fixed deposit period to allow instant access)	£14m
Borrowings	£77m

- 1.2 The overall assurance of Effective has been made for the Council's Treasury Management arrangements during the period under review (2019/20 and 2020/21).
- 1.3 No reportable findings have been identified and management are not required to take further formal action.

## 2. Supporting Details

### 2.1 Links to Council Service Delivery

This review considered achievement of the organisations strategic objectives and risks, specifically this audit contributes towards:

- Business Objective – The management of the Council’s cash flows, borrowing and investments, and the associated risks.
- East Suffolk Business Plan – Remaining Financially Sustainable.
- Corporate Risk Register – Failure to produce and deliver sustainable Medium Term Financial Strategy (MTFS) including delivery of balanced Annual Budget

### 2.2 Scope of Internal Audit Activity

Internal Audit will seek to enhance and protect organisational value by providing risk based and objective assurance. The work performed by Internal Audit provides an opportunity to make significant improvements to governance arrangements, risk management and control processes.

This audit has been undertaken as part of the Annual Audit Plan 2020/21, approved by the East Suffolk Council Audit and Governance Committee on 22 September 2020.

This audit has been conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, and the UK’s current Public Sector Internal Audit Standards.

This audit examined the following key controls for the period April 2019 to July 2020.

- Cashflow
- Investments
- Borrowing

### 2.3 Definitions of Risk and Control

This audit uses the definition of Risk set out in the Council’s Risk Management Strategy.

The definition of Control is taken from the Chartered Institute of Internal Audit:

“Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.”

In addition to a risk assessment using the corporate risk matrix, each agreed action is allocated a priority level for use within the service area. The allocation of each priority level is based on:

<b>Priority 1</b>	Findings indicate a significant control weakness that could mean objectives fundamental to the operation of the service may not be met. Urgent attention is required from strategic management.
<b>Priority 2</b>	Findings indicate an important control weakness could mean that objectives central to the operation of the service may not be met. Prompt management attention is required.
<b>Priority 3</b>	Findings indicate a control weakness that could mean service objectives may not be met. Management attention is required.
<b>Priority 4</b>	Findings indicate a minor control weakness that, although not essential to an effective control framework, would benefit from low-cost improvements. Any Priority 4 issues identified during the course of this audit have been reported to the relevant Service team prior to the issue of this report, and are available from the Internal Audit team upon request.

## 2.4 Effectively Functioning Controls

We would like to draw management attention to the controls in operation over processes and procedures that were confirmed via audit testing as operating effectively and efficiently:

- The Council's Treasury Management Policy and Investment Strategy was agreed by Audit and Governance Committee and full Council.
- Cashflow statements are completed daily.
- Sampled Investment decisions were authorised and supported with documentation from the relevant counterparty.
- Investment and borrowing reconciliations tested were found to be accurate, authorised and completed timely.
- Access to CHAPS payments is restricted to appropriate members of the Finance team and benefits from a segregation of duties during the authorisation process.
- Sampled investment principals and interest agreed with investment documentation.
- No new borrowings had been made, and sampled loan repayments agreed to the loan repayment schedules.

## 2.5 Audit Team

The audit team for this review comprised

Audit Manager	L Fuller
Auditor	J Irvine

## 2.6 Acknowledgements

We would like to thank the management and staff of Finance Team for their co-operation and time during the course of this audit.



This audit has been undertaken in accordance with the Internal Audit Partnership arrangements between East Suffolk Council and Ipswich Borough Council.