

Audit: Treasury Management

Final report: April 2022



INTERNAL AUDIT REPORT	
Area of Review	Treasury Management
Contact Officer	Audit Manager
Date	20 April 2022
Version	Final

## 1. BACKGROUND

This audit has been undertaken as part of the approved Annual Internal Audit Plan 2021/22, and in accordance with the Audit Terms of Reference.

The Treasury Management function of Hart District Council (HDC) is undertaken by staff at Mendip District Council (MDC). The day-to-day Treasury Management activities, such as the production of daily cash flows, performance of bank reconciliations and research around potential investments is performed by staff from MDC, with them working across the organisations to ensure that Treasury Management procedures are fulfilled at HDC.

## 2. SCOPE OF THE REVIEW

The audit approach has been to review processes surrounding the control objectives stated below, perform walkthrough testing, where appropriate, assess the effectiveness of internal controls and ensure risk is managed effectively.

## 3. CONTROL OBJECTIVES

The scope of this review has encompassed the following three control objectives listed below and the 8 scope objectives summarised in section 7 Summary of Findings.

Control Objectives	
1	To confirm that governance controls are in place within Treasury Management and that they are operating effectively.
2	To confirm that cash flow, loans and investments are effectively managed.
3	To confirm that the key control of reconciliations takes place promptly and in accordance with External Audit requirements.

## 4. AUDIT APPROACH

Our audit approach to this review has been to:

- Obtain and understand the relevant processes through discussions with key personnel, review of systems documentation and perform walkthrough tests, where appropriate.
- Identify the key risks within the function.
- Evaluate and test the effectiveness of the controls in place to address these risks.
- This review has been undertaken in compliance with the Internal Audit Public Sector Standards 2017.

## 5. OPINION ON CONTROL FRAMEWORK

The overall level of opinion that can be provided on the internal control framework for this review is Substantial.

Levels of Assurance	
Substantial	Substantial assurance given where there is a sound system of controls in place, which applied consistently to enable achievement of the intended objective.
Satisfactory	Satisfactory assurance given where there is generally a sound system of internal control in place with only minor lapses, and in general, objectives achieved.
Limited	Limited assurance is given where controls in place are not always applied and objectives may not be achieved, meaning the Council is exposed to the risk of financial loss, fraud or the loss of reputation.
None	No assurance is given where weaknesses in control has resulted if a failure to achieve objectives.

Internal Audit consider that there is a good system of management and operational controls in place for Treasury Management. These include appropriate review and authorisation of Treasury Management processes with evidence of a clear audit trail. However, there are some opportunities for improvement that need to be considered, as summarised below:

- There is no management check undertaken on the Treasury Management Activity Record.
- Reconciliations between the general ledger (Integra), the loan schedules, and the treasury management records are not signed off as reviewed
- SharePoint, where the Treasury Management documentation is stored, has access listed to officers that are no longer work for HDC or MDC.

This report seeks to highlight some of the main issues and assist in the development of an improvement plan. There are 3 medium risk findings with recommendations identified in this report.

## 6. SUMMARY OF IDENTIFIED RISKS AND RECOMMENDATIONS TO BE AGREED WITH MANAGEMENT

	Risk	Issue identified	Risk Assessment	Recommendation	Management Response / Mitigation	Responsible Officer	Target Date
1	If the preparer that updates the daily movement of cash on the Treasury Management Activity excel record makes a deliberate/ accidental error, then it will go undetected if there is no management check. This may lead to increased costs and/or losses.	Treasury Management Activity excel record is updated daily with the movement of cash. This is completed by the MDC's Financial Accountant or Assistant Accountant (and stored on the shared drive for ease of access for all relevant staff. Internal Audit reviewed this record and found it to be completed daily for the period 31 March 2021 to 8 March 2022. However, there is no management check undertaken of this record to ensure accuracy.	Medium	A regular evidenced management check should be undertaken of the Treasury Management Activity excel record of the daily movement of cash to ensure it has been calculated correctly.	The daily activity cashflows are reviewed weekly in Cashflow meetings with treasury officer, Senior Accountant, Deputy S151 Officer and/or Commercial Finance Manager , the activity is reviewed and upcoming forecasting takes place.  The daily activity spreadsheet is also pre-set with conditional formatting to grey cells for day completed to ensure balances are correctly recorded.	Chief Accountant	Actioned Immediately
2	Where Treasury Management reconciliations are not reviewed, deliberate/ accidental errors may not be identified, which may lead to increased costs and/or losses. In addition, the fundamental internal control of	The reconciliations between the general ledger (Integra), the loan schedules, and the treasury management records were undertaken but not signed off as reviewed.	Medium	All reconciliations should be reviewed and signed off.	Investments Rec B3100 and Borrowing Rec B6710/B7100 has been reviewed quarterly as part of the Government Delta Quarterly Borrowing and Lending Return (QBL) see attached, the QBLs also get reviewed by Senior Hart staff before	Chief Accountant	Actioned Immediately

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	reconciliations will not be in place which may lead to a qualified external audit opinion.				submission (Deputy S151 Officer). Since January 2022 the investment return is also reviewed monthly in addition to quarterly despite quarterly being adequate.		
3	Unauthorised users may have access to the system, compromising system integrity.	Internal Audit obtained a report as at 7 March 2022, of officers that have access to Treasury Management documentation on SharePoint. It was found that 2 HDC officers and 4 MDC officers are no longer employed by the Councils. The report also listed access to Accountancy Hart that may include officers that do not need to access this work area.	Medium	A review of the current officers that have access to Treasury Management documentation stored on SharePoint should be undertaken and access removed if they are not current and/or invalid. Thereafter, a process should be established to ensure that officers that are no longer employed by HDC or MDC have their SharePoint access removed.	As at, 20 April 2022 only current officers have access to SharePoint. The officers that are no longer employed by HDC and MDC have been removed.  Email accounts get terminated when staff leave and therefore they cannot log into SharePoint. Also there is no ability to access SharePoint from a personal laptop it has to be a work laptop issued by the 5Councils I.T. department all work laptops are returned to the council when staff leave.	Chief Accountant	Actioned Immediately