

TEESDALE DISTRICT COUNCIL

INTERNAL AUDIT SERVICE

INTERNAL AUDIT REPORT

REPORT ON:	Treasury Management
AGREED WITH:	Chris Carveth

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Auditor:

Graham Jordan

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1.0 INTRODUCTION

- 1.1 The audit examined the systems and procedures in place for managing the general ledger system.
- 1.2 The audit work was undertaken during January 2008.
- 1.3 It should be noted that the establishment of adequate control systems is the responsibility of management, and that an internal audit review is conducted on a test basis and cannot therefore review every transaction. Thus, while the implementation of internal audit recommendations can reduce risk, and may lead to the strengthening of these systems of control, responsibility for the management of these risks remains with the service manager.

2.0 EXECUTIVE SUMMARY

The Head of Finances annual report on treasury management in 2006/07 gives a balanced view on a good level of service provided and my findings embellish that report. Matters arising are ongoing one's that staff and management are already well aware of i.e.

- An inherent separation of duties issue due to the number of staff involved.
- A lack of resources to improve both the separation of duties and performance.
- Inconsistent notification by departments of large receipts from external sources that could be invested earlier than may have been the case.

The service is well run and regulated within exchequer services and finance and underpinned by professional advice from Butlers, the council's consultant.

The opinion has been given as weak despite the systems in general being good because of a fundamental weakness in the ICT solution for managing transfers between bank accounts, as this process only requires one officer to be involved.

OPINION

The overall audit opinion of the current systems for Treasury Management is that they are **weak**, this is the result of a single major control weakness, all other controls are satisfactory.

4.0 RISK ASSESSMENT OF WEAKNESSES

Finding Reference	Risk	Probability Score	Probability Commentary	Impact Score	Impact Commentary	Overall Score
3.14	Returns on investments are not maximised/costs of borrowing are not minimised	Medium	Percentages prove that to be the case but the variance is reasonable given the resources available.	Low	Cost/reduced income for the General Fund	6
3.14	Amounts invested are not safeguarded	Low	Unlikely given the experience of staff involved and the consultants input.	High	Potential cost to the General Fund	8
3.1 & 3.22	The Council does not comply with treasury management guidance	Very Low	Unlikely given the experience of staff involved and the consultants input.	Medium	Criticism and potential qualification of the accounts by external auditors	3
3.60	Fraudulent transfer of funds.	Medium	Under the present system the opportunity arises due to the access levels for the limited number of staff involved and additionally when the bank reconciliation is not carried out by accounts as both functions are then carried out by the same person in exchequer.	Very High	Financial loss, adverse publicity, external audit criticism.	15

5.0 ACTION PLAN

Recommendation		Ranking	See Para	Management Response	To be actioned by:	
					Name	Date
5.1	The bank reconciliation should only be carried out within accounts to maintain a separation of duties with exchequer.	Essential	3.14	Agreed exchequer will no longer undertake bank reconciliations this is now already in place.	NA	Complete
5.2	Departments need to be educated of the importance of both paying in receipts a.s.a.p. but also to notify exchequer in advance where amounts are > £5k. This requires a high level notification to be cascaded through Departments.	Important	3.14	A regular update is planned as a result of other audit work this reminder will be included with this update.	Joanne McMahon / Chris Carveth	31 May 2008
5.3	An independent system supervisor should be identified and the ability for other users to set up beneficiaries should be removed.	Essential	3.14	Joanne Kellett will be set up as the system administrator and will be the only person with access to set up beneficiaries.	Chris Carveth	30 April 2008