

# AUDIT COMMITTEE

## Investments in Icelandic Institutions - Update 22 April 2009

### Report of Head of Financial Services

#### PURPOSE OF REPORT

This report provides the Committee with an update on actions taken since it last considered this matter back in November, and includes the Audit Commission's and the Treasury Select Committee's recently issued reports for Members' consideration.

**This report is public.**

#### RECOMMENDATIONS

- (1) That the report be noted.
- (2) That the Committee indicates whether there are any further specific aspects of the attached reports they wish to be considered, as part of any subsequent review of the internal control and governance arrangements for the Council's treasury management function.

#### 1 Report

- 1.1 At the special Audit Committee meeting held last November, in considering details of the Council's Icelandic investments Members resolved that a report be requested regarding any future changes in investment policy and also that updates be provided to each meeting of Full Council.
- 1.2 With regard to the latter point, updates have been included in each of Cabinet's budget reports to Council. These have included recent briefings provided by the Local Government Association (LGA); the latest of which is included at **Appendix A** for information. Initially these briefings were provided weekly but given the timing of new information becoming available, these are now produced monthly.
- 1.3 As yet, there is no further information available on which to make an informed view regarding exactly how much of the total amounts owing (£6M plus £260K accrued interest to October 2008) will be returned. Now that the budget exercise for 2009/10 is completed, as reported to Council it is intended that formal updates will be included through the usual reporting routes (i.e. in particular through quarterly PRT meetings). Monthly updates from the LGA to Group leaders will continue.
- 1.4 With regard to reporting on future changes in investment policy, the Council's treasury management framework has been updated significantly for 2009/10 and

prior to it being finally approved by Council on 04 March, it was also considered by both Cabinet and Budget and Performance Panel.

- 1.5 Since then, the Audit Commission has released its report on Icelandic investments (English authorities) and the Treasury Select Committee has also very recently released a report "*Banking Crisis: The impact of the failure of the Icelandic banks*". This is one of a series of reports that the Committee is publishing as part of its broader inquiry into the banking crisis.
- 1.6 Copies of both the Audit Commission's and the Select Committee's reports are attached for Members' information. It is clear that further information, advice and guidance will follow in due course, from the Audit Commission and from other bodies such as the Chartered Institute of Public Finance and Accountancy (CIPFA). In view of this, and the actions already taken in updating the current year's treasury management framework, at this stage it is recommended only that Members indicate whether there are any further specific aspects of the reports they wish to be considered, in reviewing the internal control and governance arrangements surrounding the function.
- 1.7 Once the Audit Commission and CIPFA have completed their deliberations, a further review of the Treasury Management Framework will be completed for Members' consideration. This will pick up on any points raised at this meeting, as well as any other external reports etc. that may be issued by other bodies in the meantime. It should be noted that at present, general responsibility for scrutinising the treasury management framework proposals rests with Budget and Performance Panel, rather than the Audit Committee. Given the Audit Commission's recommendations, it is envisaged that this aspect will be considered further in due course.

## 2 Options and Options Analysis (including risk assessment)

This report is primarily for information and no options are put forward.

### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

No implications directly arising or quantifiable at this time.

### **FINANCIAL IMPLICATIONS**

In terms of the legal advice obtained through the LGA, to date the City Council's share of costs amounts to £1,501.91. This will be funded from the existing Contractor / Consultancy budget in Financial Services.

### **DEPUTY SECTION 151 OFFICER'S COMMENTS**

This report has been prepared by the s151 Officer.

### **LEGAL IMPLICATIONS**

Legal Services have been consulted and have no further comments.

### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

### **BACKGROUND PAPERS**

Treasury Management Framework 2009/10

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