

### **Recommendations Arising from Audit Work on Treasury Management, as mandated by the Audit Commission**

- Internal Audit should undertake a comprehensive review of the treasury management function and its activities on an annual basis and should report its findings to the Audit Committee;
- All staff involved in undertaking treasury management activities and elected members with responsibility for the stewardship of public money and scrutiny of the treasury management function should undertake ongoing training to ensure they can effectively discharge their responsibilities;
- The Council should consider its arrangements for scrutiny of the whole treasury management process and over its individual investment decisions, ensuring that they are informed; and
- The Council should strengthen its investment criteria by considering wider economic conditions/factors and other information sources, such as the financial press, in addition to strong credit ratings (with the minimum credit rating being AA) when placing investments. This would minimise the risk of investing in institutions with financial difficulties.

#### **Officer Responses:**

1. Arrangements are in hand for an Internal Audit review to be undertaken early in the new year, once the new framework is in place under the new Code. This would be reported to Audit Committee as a matter of course. Thereafter, the approach for regular reviews will be agreed between Internal and external audit, taking account of risk considerations.
2. Ongoing training is provided and this is reflected in the draft Strategy. More frequent Member training will be provided in future, but perhaps more significantly, consideration of whether such training should be mandatory will be referred to the Council's Business Committee, as part of the Member Development Plan.
3. Budget and Performance Panel already has responsibility but this will now be more explicit, under the current proposals. The effectiveness of these arrangements will be informed by recommendation 2 above.
4. This is catered for within the proposed strategy, although it has not been possible to incorporate only AA institutions and still maintain a workable UK counterparty listing. After due consideration and consultation, the proposed strategy is based on A rated listings, but with reference to other information sources, such as credit default swap rates, sovereign ratings, and importantly time and money limits. This is considered to be a reasonable approach overall, in managing risk and considering liquidity and return. It is also emphasised that the counterparty list represents only a pool from which to identify potential organisations with which to invest, before taking account of other factors.