



# Treasury Management & Prudential Code

## City of York Council

### Internal Audit Report 2015-16

Business Unit: Customer & Business Support Services  
Responsible Officer: Director of Customer & Business Support Services  
Service Manager: Corporate Finance & Commercial Procurement Manager  
Date Issued: 29<sup>th</sup> April 2016  
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	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Audit Opinion</b>	High Assurance		



# Summary and Overall Conclusions

## Introduction

The principal roles of the Treasury Management function are to:

- manage the council's cash flows,
- invest surplus money on the money markets to maximise the return on cash balances,
- ensure that the council's financial needs are met through long-term borrowing.

The actions of the section are governed by the Treasury Management Policy, approved annually by members.

During 2014/15 the average cash balance available for investment was £74.8m, compared with £61.1m in 2013/14. During 2014/15 a return of 0.52% was earned on the cash balance. As of the end of 2014/15, the total borrowed was £269m.

## Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that procedures and controls within the system will ensure that:

- an appropriate Treasury Management policy is in place;
- decisions about loans and investments are reasonable and are appropriately authorised and documented;
- the financial ledger is promptly updated and periodic reconciliations are performed;
- prudential indicators are accurately calculated and appropriately monitored.

This audit was a health check of key controls.

## Key Findings

The Treasury Management function was found to be working well with no issues identified. The Treasury Management Policy is adequate and was applied correctly with investments being made in line with the prudential code, and were documented and authorised correctly. Reconciliations were also being made to the General Ledger on a regular basis.

There were no specific loans pulled down but the decision not to borrow was reviewed and was found to be reasonable. The prudential indicators that are used appear to be calculated correctly, using reliable source data. They are also accurately reported to Members.

## Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

# Audit Opinions and Priorities for Actions

Audit Opinions	
<p>Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions	
Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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