

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 6(c)

3rd August 2022

Title of the Audit: Financial Services - Corporate Treasury Management

1. Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review of the Corporate Treasury Management function.

1.2 The Treasury Management function sits within the Corporate Finance section of Financial Services and is responsible for the management of the Council's cash flow, borrowing and investments, with the aim of assisting the Council in achieving its objectives. An annual Treasury Management Strategy and Annual Investment Statement is presented to the Finance and Audit Scrutiny Committee (FASC). In addition, the strategy is considered by the City Administration Committee (CAC) to be approved for the forthcoming financial year.

1.3 The purpose of the audit was to gain assurance that the Treasury Management function continues to operate in accordance with the relevant policies, procedures and controls to ensure delivery of the strategy, and that proper governance of the treasury function is in place. The scope of the 2021/22 audit included a high-level review of:

- The current Treasury Management Policy and Strategy, ensuring that Treasury Management transactions are performed in accordance with these;
- Any new legislative or regulatory requirements applicable since the previous audit;
- Any revised working arrangements implemented since the previous audit;

- The segregation of duties between employees responsible for authorising, instructing, recording and receiving confirmation of Treasury Management transactions;
- The preparation and authorisation of bank reconciliations and other financial transactions;
- Arrangements to ensure that the Treasury Management team make optimum use of Council funds while adhering to the priorities of the Strategy;
- Treasury transactions recorded in the bank accounts, financial ledger and other subsidiary records, and
- The controls to prevent unauthorised electronic transactions.

2. Audit Opinion

2.1 Based on the audit work carried out, assurance can be taken that the control environment is satisfactory.

3. Main Findings

3.1 We are pleased to report that the key controls are in place and operating effectively. The Treasury Management Strategy and Annual Investment Strategy 2022/23 has been reported to FASC and approved by CAC, with mid-year reviews of the 2021/22 Strategy presented to FASC accordingly. The Strategy includes a high-level scheme of delegation, and documented procedures are in place, of

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which the team demonstrated awareness.

3.2 We identified that there have been no changes to legislative or regulatory requirements applicable to the Treasury Management function. Similarly, there have been no changes to the working arrangements since the team adopted new practices aimed at reducing manual processes and hard copy records, by using electronic means of approval and record keeping.

3.3 In addition, transactions must be approved by two authorisers and through sample checking we confirmed that this process was in operation. System controls are in place for user access permissions as well as the transfer of funds. Additionally, the team were knowledgeable of the corporate guidance to prevent and detect fraudulent requests.

3.4 We observed that as a result of rising inflation, the 'Bank Rate' (which is the official Bank of England rate paid on commercial bank reserves) has been steadily increasing. Therefore, the team have taken appropriate advice on this from the Council's treasury advisor, Link Asset Services, who provided their view of probable interest rates for the financial years 2022/23 to 2024/25.

3.5 Lastly, daily borrowing assessments are carried out and processes are in place between the Treasury team and Financial Services Ledger Control and Banking to ensure an accurate daily borrowing/lending figure is calculated and any unexpected differences are investigated. Four weekly bank reconciliations are prepared and checked by separate

officers, and records of these are appropriately retained in a restricted shared drive.

3.6 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.7 We would like to thank officers involved in this audit for their cooperation and assistance.

3.8 It is recommended that Committee note the content of this report.