



Telford & Wrekin
C O U N C I L

TREASURY MANAGEMENT AUDIT COMMISSION RISK & RETURN REPORT

FOLLOW UP AUDIT JANUARY 2010

To: Ken Clarke, Head of Finance
P.Harris, Corporate Finance Manager
B.Morris, Finance Manager

Date

Original Report Date	July 2009
Original Report Grade	Yellow
Follow Up Undertaken	January 2010
Follow Up reviewed By	Jenny Marriott, Audit & Risk Manager
Follow Up Grade	Green

TELFORD & WREKIN COUNCIL
AUDIT RECOMMENDATION FOLLOW UP & AGREED REPORT RECOMMENDATIONS

System	Treasury Management –	Prepared By (Audit Services)	M. Costello	Date	18 January 2010
	AC Risk & Return Report	Reviewed By (Audit Services)	J. Marriott	Date	19 January 2010

Detailed Findings and Recommendations					
Rec Ref	Audit Findings	Recommendation	Agreed Action & date to be implemented	Status ID	Current Status
1	The treasury framework does not set out responsibilities for elected members. Treasury Management reports and policies are not currently scrutinised by a specialist committee as recommended in the Audit Commissions Risk & Return report. However from September 2009 it has been agreed that the Audit Committee will see treasury reports, and this will be shown in their terms of reference. A training session is planned for members in October 2009. The training will be carried out by Sector, who are T&W treasury advisors.	Member's roles and responsibilities for treasury activities should be documented in the TMP5 of the treasury management practices. Regular training courses should then be planned in order to refresh members knowledge. Category: Policy & Procedure	Action : Agreed. Date: A Training session has been arranged for October 2008	1	This has been completed (section 5.4.7) Training for members was held in October 2009. A further training session has been arranged for 26 January 2010

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2	The Audit Commission Risk & Return report states that Local Authorities should put controls in place to enable them to make a systematic assessment of risk and reward including the potential for loss. Although risks are taken into account prior to making investments through the counterparty lists and Fitch rating this is not documented and there is no evidence that there is a systematic approach to managing risks,	In order for T&W to demonstrate compliance with their Treasury Management Practices and their criteria for investing and borrowing they need to ensure they can demonstrate the management of risks. For each investment/loan the form could be amended to include a checklist which is based on local practices and procedures. For example it could show: <ul style="list-style-type: none"> • Transaction fully checked against market and found to be competitive • Alternative interest rates have been 	Action : Agreed in principle Date: Jan 2010	1	This has been implemented. There is a checklist for a Record of Temporary Loan and Record of a Deposit

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		<ul style="list-style-type: none"> considered Treasury advisors called to confirm daily rate Appropriate time periods taken into account in light of cash flow and duration as recommended by Sector Fitch rating falls within specified criteria <p>Category: Policy & Procedure</p>			

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3	The Audit Commission's risk and return report states that risks associated with liquidity, security and yield should be taken into account. The T&W policy does not state the risk associated with yield.	The treasury management policy should be updated to include the risks associated with yield as recommended by the Audit Commission.	Action : Agreed in principle Date: Jan 2010	1	The Annual Investment Strategy which is going to Cabinet 23 Feb 2010 details the Council's exposure to risk in particular Credit risk, liquidity risk, Market (yield) risk and Price risk.
		Category: Policy & Procedure			
4	The Treasury Management Practice (TMP) part 2 section 6.5 refers to Periodic Monitoring to Committee but there is no detail recorded in this section	TMP part 2 section 6.5 should be updated to show which committee periodic Monitoring reports go to and how often	Action : Agreed in principle Date: Jan 2010	2	This is currently being updated. The Audit Committee will receive summaries of the Treasury Board meeting minutes The TMP will be updated by 31.03.10
		Category: Policy & Procedure			

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5	There is a Treasury Board that meets monthly. During the audit terms of reference for the Treasury board could not be found.	Terms of reference should be in place for the Treasury Management Board with reference to them reporting to the Audit Committee Category: Policy & Procedure	Action Agreed in principle Date: Sept 2009	1	Terms of reference were agreed at the Treasury Board and the Audit Committee was provided with a summary of the meeting minutes and a copy of the terms of reference on 3 November 2009

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6	The April Treasury Board minutes state that the next agenda should include the Audit commission risk and return report, but these minutes were not available at the time of the audit as evidence to confirm this had been discussed. The Corporate Finance Manager confirmed that this discussion had taken place	The discussion around the Audit Commission's risk and return report should be shown in the Treasury Management Board minutes. Category: Policy & Procedure	The discussion around the Audit Commission's risk and return report should be shown in the Treasury Management Board minutes. Category: Policy & Procedure	1	Discussions have been documented

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7	During the audit the latest minutes available from the Treasury Management Board were for the period Feb-Apr 09	Minutes of the treasury board should be issued on a timely basis and ratified by all present. A summary of what was discussed and of treasury activities should be issued to the Cabinet Member Resources and members of the Audit Committee. Category: Policy & Procedures	Action Agreed Date: Immediate	1	It was agreed at the Audit Committee meeting on 3 Nov 2009 that minutes from the Treasury Bard would be forwarded to them after each meeting commencing December 2009.

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8	The annual investment strategy, which is issued to full council, does not clearly show what the local investment limits are.	The Annual investment strategy should be more explicit on what the local investment limits are. Details could be attached as an Appendix to the report. Category: Policy & Procedure	Action : Agreed. This will be done for 2010-11 Strategy Date: Jan 2010	1	Treasury limits for 2010/11 to 2012/13 have been included in the Treasury Management Strategy and Update report which is going to Cabinet 23 February 2010.
9	Part 2 of the treasury management practices shows the roles and responsibilities of various officers/Groups. It does not show the roles and responsibility of the Treasury officer	The treasury management policy should be updated to include the roles and responsibility of the Treasury Officer Category: Policy & Procedure	Action: Agreed Date: Jan 2010	1	This has been completed (section 5.4.6)

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10	The annual treasury report goes to full council in March. In future treasury reports will also go to the Audit Committee. There is currently a lot of information and sometimes it is difficult to understand.	Future reports for members should be relevant, in plain English and easy to understand in order for members to understand and challenge treasury activities.	Action: Agreed Date: For all future reports to Members	1	Ongoing commitment
		Category: Best Practice			
11	TMP10 of the Treasury Management Practices part 2 should show treasury staff training and qualifications, but this is not completed	The Treasury Management Practices part 2 should be updated to include staff training and qualifications	Action: Agreed Date: Jan 2010	1	This has been completed. The Treasury Officer is on an update course week commencing 25.01.10.
		Category: Policy & Procedure			

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12	During the audit it was noted that the Authority have investments with banks currently on 'negative watch' and one in particular was with Dexia for £5,000,000 from 1/10/08 – 1/10/13. The current duration recommended from Sector for this is now classed as N/C (No duration recommended, therefore it is recommended not to invest). The Manager Capital & Treasury confirmed that advice was taken from Sector and it was agreed to continue with the investment due to the cost of penalty clauses in removing the money early.	Any downgrades of banks or other institutions should be considered as a risk, discussed at the Treasury Board and the results recorded in the minutes. Category: Policy & Procedure	Action: Agreed Date: <i>All future Treasury Board meetings</i>	1	Implemented and on-going

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13	The report showing current investments, which is presented to full council, does not show the latest advice given by Sector and the reason for remaining with current investments if they are downgraded. It is also noted that since the Icelandic Bank collapse Sector are not recommending investments for more than 12months.	The Treasury Management Policy should be updated to demonstrate what to do if banks are downgraded for existing investments Category: Policy & Procedure	Action: Agreed Date: Jan 2010	1	Actions to be taken in the event of a downgrade are detailed in section 6.10 of the Treasury Management Strategy and Update report which is going to Cabinet 23 February 2010.

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14	The counterparty list provided by Sector, is split into countries and banks are shown within the country they belong. Limits are not set showing the appropriate split of investments to be made in the UK and non UK countries. Current investment reports do not show how much the Authority have invested with each country	The current investment report, which is issued to full council and will be issued to the Audit Committee (from Sept 2009), should show what the latest advice from Sector is in relation to these investments, specifically those on negative watch or where credit ratings have changed. Category: Policy & Procedure	Action: Agreed Date: Sept 09	1	The Treasury Management Strategy and Update report details the council's overall position and exposure as regards all of its investments.

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15		Thresholds should be set and documented on the appropriate split of investments to be made in the UK and non UK countries. Current investment reports should show how much is invested with each country. Category: Policy & Procedure	Action: Agreed Date: Jan 2010	1	This is detailed in the Treasury Management Strategy and Update report

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16	T&W policy shows different types of credit rating, the limit to invest and the duration of the investment but it is not made clear the meaning of these ratings.	The treasury management policy should be updated to show the definition of the different types of credit rating, an example of this is shown in Appendix 3 of the Audit Commissions risk and return report. This information should also be shown in reports which go to full council and the Audit Committee. Category: Policy & Procedure	Action: Agreed Date: Jan 2010	1	This is detailed in the Treasury Management Strategy and Update report

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17	The Treasury Management Policies are currently being reviewed. There are sections in TM part 2 which have not been completed, these include, 9.2, 8.1, 8.2, 8.5, 8.6, 8.7, 8.8, 7.1, 7.2, 7.3, 6.5 & 5.13	During the treasury management policy review all sections should be fully completed, where appropriate Category: Policy & Procedure	Action: Agreed Date: Jan 2010	2	This work is in progress and will be completed by 31.03.10. CIPFA have produced a revised guide 'Treasury Management in the Public Sector' code of practice & cross sectoral guidance notes 2009. The treasury team are checking that the T&W documentation complies with tis guidance

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18	No spot checks are undertaken by the Manager on treasury activities to ensure procedures are being followed and that the best rates are being obtained.	Spot checks should be undertaken by the Manager, at month end, on a sample of investments and loans to ensure procedures are being followed and the best deals are always being obtained. Once checked they should be signed and dated as evidence that this has been done Category: Best Practice	Action: Agreed Date: Sept 09	1	In place and ongoing.

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I certify at the time of completion the above information is correct:

Business Manager  Date 20/1/10

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