

Rhondda Cynon Taf Council

Audit Committee - 5th November

Treasury Management Controls



CIPFA – Audit Committee, Practical Guidance for Police and Local Authorities 2018

Role of Audit Committee with regards to Treasury Management

In addition to the core functions of an audit committee. The revised guidance states that audit committees can provide added value by overseeing the arrangements in place in respect of an organisation's treasury management arrangements.

Areas to cover

1. Definition of Treasury Management
2. Relevant Regulations and Codes of Practice
3. Reporting Requirements
4. Controls over payments

1. Definition of Treasury Management

CIFPA Definition

*The management of a local authority's cash flows, its borrowings and its investments, **the management of the associated risks**, and the pursuit of the optimum performance or return consistent with those risks*

Borrowing and investments

Borrowing	31 st March 2018	Total Interest	Average Interest
	£M	£M	%
PWLB	109.297	5.257	4.81
Banks LOBOS	31.000	1.395	4.50
Banks Fixed Term	54.500	2.818	5.08
Local Authorities	76.000	0.239	0.53
Total	270.797	9.709	4.02

	Interest Received	Average Cash Balance	Return on Investments	Benchmark Return
	£M	£M	%	%
Cash Balances	0.036	14.692	0.24	0.21

Relevant Regulations and Codes of Practice

Local Government Act 2003

Section 15(1) & 24 of the Local Government Act 2003 requires a local authority "...to have regard (a) to such guidance as Welsh Ministers may issue, and (b) to such other guidance as Welsh Ministers may by regulations specify..."

The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003

Requires authorities to have regard to the CIPFA publications below.

CIPFA Code of Practice on Treasury Management

Development and maintenance of clear objectives for Treasury Management activities

CIPFA Prudential Code for Capital Finance in local Authorities

*All authorities in the UK are required to have regard to the Prudential Code when setting limits to the level of their affordable borrowing under section 3(5) of the 2003 Act (in England and Wales). The Code requires local authorities to determine that capital expenditure and investment decisions are **affordable, prudent and sustainable**, and to **set limits on the amount they can afford to borrow** in the context of wider capital planning.*

Welsh Government Statutory Guidance on Local Government Investments

[Link : WG Guidance](#)

The guidance on investments of this document is issued under section 15(1)(a) in the LG 2003 Act.

Indicators

CIPFA Code of Practice on Treasury Management

- Maturity Structure of Borrowing
- Investments over 1 year
- Interest Rate exposure

CIPFA Prudential Code for Capital Finance in Local Authorities

- Capital Expenditure
- CFR
- Authorised limit for debt
- Operational Boundary for Debt
- Actual External Debt
- Financing Cost to Net Revenue Stream

Welsh Government Statutory Guidance on Local Government Investments

- Investment Risk
 - Security, Liquidity, Yield, in that order
 - RCT CBC Strategy
 - Other Public Bodies and DMO
 - Credit Ratings
 - Limits
- Treasury Management Advisors
- Treasury Management Training
- Investment of monies borrowed in advance of need

Reporting Requirements

1. Treasury Management Strategy

[Treasury Management Strategy 2018/19](#)

- Approved by Council
- Prior to Financial Year it relates to
- Approve Investment Strategy
 - Post 2008
 - Criteria
- To approve limits / Prudential Indicators

2. Mid Year Review [Mid Yr Review 2017/18](#)

- Presented to Council

3. Full Year Review [Full Yr Review 17/18](#)

- Presented to Council

All subject to scrutiny – Finance and Performance Scrutiny Committee

Treasury Management performance is published quarterly within the Council's quarterly performance report to Cabinet and Finance and Performance Scrutiny Committee.

Controls over Payments

- CHAPS
 - Same day payment
 - Internet banking
 - Segregation of Duties
 - 3 stages
 - Independent system administration
 - Independent bank reconciliation
- Authorisation
 - Standard stationery
- Validate payee
 - Independent check
- Change of bank details
 - Independent check

Discussion point for Audit Committee

- Is there further information required by Audit Committee as part of informing understanding of the control environment in place?
- Any further questions...