

**Internal Audit Report**  
*Assurance Opinions on Key Financial  
Systems 2016/17*

# Assurance Opinions on Key Financial Systems 2016/17

Many financial activities transferred from Northampton Borough Council to LGSS during the 2013/14 financial year. It was agreed with the S151 Officer and the council’s internal auditors (PwC) that where LGSS have the responsibility to undertake the functions, LGSS Internal Audit would complete the assurance work relating to LGSS functions, whilst PwC would continue to audit those aspects which remain in the direct control of the council. This approach has been used each year and we have worked with PwC to plan and undertake our work to enable us to provide the assurance opinions, whilst minimising duplication of work.

We have now finalised our work to provide these 3<sup>rd</sup> party assurances to Northampton Borough Council on the controls in key financial systems now operated by LGSS. This report sets out the results. For 2016-17, we now provide two assurance levels for each audit, one in respect of the control environment and the other in respect of compliance. The assurance levels are based upon the definitions in Appendix A. The results of the audits are summarised in the Table One.

Table One Overall Assurance Opinions

Auditable Area	Control Environment Assurance	Compliance Assurance
Accounts Payable*	Substantial	N/A
Accounts Payable*	Substantial	N/A
General Ledger*	Substantial	N/A
Revenue and Benefits*	Substantial	N/A
Bank Reconciliations	Substantial	Substantial
ICON System Access	Substantial	Good
IBS System Access**	Substantial	Substantial
Treasury Management**	Substantial	Substantial

*\*Reviews focus on assessing control environment with limited compliance testing (i.e. walkthrough) meaning that it is impractical to assess compliance assurance.*

*\*\*Audit at draft report stage at the time of writing this report but the emerging opinions are included*

The detailed assurance statements for each auditable area are set out in Appendix B.

These set out the process areas included in each review and the assurance opinion on each process, leading to the overall opinions set out above.

For each process area where the assurance is less than “Substantial” we have agreed an agreed action plan of improvements for implementation by LGSS. These actions will be monitored and followed up, utilising our automated audit management processes.

## APPENDIX A

<b>CONTROL ENVIRONMENT ASSURANCE</b>	
<b>Assurance</b>	<b>Definition</b>
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

<b>COMPLIANCE ASSURANCE</b>	
<b>Assurance</b>	<b>Definition</b>
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

## APPENDIX B

### Northampton Borough Council (NBC)

#### Third Party Assurance – Accounts Payable 2016/17

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

<b>Risk Area</b>	<b>Assurance opinion</b>
Supplier Account Setup	Substantial
Amendments to existing Supplier Accounts	Substantial
Requisition Creation and Approval	Substantial
Goods Receipt Processing	Substantial
Invoice Processing	Substantial
Payment Run	Substantial
User Access	Substantial
<b>Overall Level of Assurance</b>	<b>Substantial</b>

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

#### Details of findings and assurance opinions

##### Supplier Account Setup – Substantial Assurance

We walked through the supplier set up process included authorisation arrangements and concluded that there are appropriate processes and controls in place over this function. This walkthrough has also confirmed that the controls covered in the 2015/16 audit have been tested and continue to operate in 2016/17.

##### Supplier Account Amendments – Substantial Assurance

We walked through the supplier amendment process and concluded that there are appropriate processes and controls in place over this function. Further to the above, all the recommendations raised following our previous review in 2015/16 following weaknesses identified in particular regarding changes to supplier bank accounts have been implemented and actioned.

##### Requisition Creation and Approval – Substantial Assurance

We walked through the requisition creation and approval processes and noted that there are appropriate processes and controls in place for both these functions. This

walkthrough has also confirmed that the controls covered in the 2015/16 audit have been tested and continue to operate in 2016/17.

#### Goods Receipt Processing – Substantial Assurance

We walked through the goods receipt process with LGSS involvement limited to user access responsibilities. The process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

#### Invoice Processing – Substantial Assurance

We walked through the invoice processing function and conclude that there are appropriate processes and controls in place over this function. The process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

#### Payment Run – Substantial Assurance

We walked through the BACS and Cheque payment run processes and concluded that there are appropriate processes and controls in place over both these functions. We identified a few issues regarding where the controlled cheque stock stationery will be stored during Phase one of the officer move from John Dryden House to the Guildhall. At the audit review date and pre-move, these issues had been resolved and we were satisfied that the additional controls put in place and agreed upon by Management to address the risks were adequate. With the exception of the issues identified regarding the office move, the process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

#### User Access – Substantial Assurance

We walked through the User Access responsibility function and concluded that there are appropriate processes and controls in place over this process. The process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

**Northampton Borough Council (NBC)**
**Third Party Assurance – Accounts Receivable 2016/17**

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

<b>Risk Area</b>	<b>Assurance opinion</b>
Set up of New Customers	Substantial
Amendments to Customer Accounts	Moderate
Direct Debit set up; payment run and rejected / cancelled of direct debits	Substantial
Raising Invoices	Substantial
Receipt of Payments	Substantial
Credit Notes / Cancellation of invoices	Substantial
Debt Recovery and Write off	Substantial
User Access	Substantial
<b>Overall Level of Assurance</b>	<b>Substantial</b>

Where testing and systems reviews have identified areas requiring further improvements these have been discussed with LGSS management and suitable actions have been agreed.

**Details of findings and assurance opinions**
Set up of New Customers – Substantial Assurance

Customer creation is an Agresso Self Service function and therefore any NBC employee can commence the process of setting up a new customer account. However, prior to the customer being available for selection, it requires approval from LGSS Exchequer. We walked through the ‘customer approval’ process and concluded that there are appropriate processes and controls in place over this function.

Amendments to Customer Accounts – Moderate Assurance

We walked through the process for making an amendment to an existing customer account and noted the following weaknesses:

- 1) On the sample selected as part of our tests, the Customer contacted an LGSS Exchequer Officer directly through the LGSS officer’s work email address – requesting the account to be changed; and

- 2) The change was actioned by LGSS Exchequer without a customer amendment form being completed.

According to the Council's documented procedures, to make an amendment to a customer account, an NBC Agresso service user is required to submit an online request via the LGSS Exchequer e-mail address and attaching an Accounts Receivable Amendment Form noting changes. Following our walkthrough test, we found that the above procedures were not complied with.

Further to the above, if a customer contacts LGSS Exchequer directly – either by email or telephone requesting a change to an account, a standard letter should be submitted requesting:

- The customer to contact their NBC point of contact – which will be an NBC officer within a service user department; and
- The Agresso Service User to complete a Customer Amendment Form.

With the exception of the issues identified above, the process in 2016/17 has been tested and is unchanged from the previous year – 2015/16.

#### Direct Debit – Substantial Assurance

We walked through the customer direct debit set up process through to cash receipting including the cancellation and rejection of direct debits and noted that there are appropriate processes and controls in place over these functions. We can also confirm that the processes and controls in 2016/17 have been tested and are unchanged from the previous year 2015/16.

#### Raising Invoices – Substantial Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Once the requisition has been approved by the line manager, a sales order is generated. The order is processed through workflow requiring approval by LGSS Exchequer prior to becoming a sales invoice and then dispatched. We walked through the LGSS related process and can confirm that there are appropriate processes and controls in place over these functions. This walkthrough has also confirmed that the controls covered in the 2015/16 review have been tested and continue to operate in 2016/17.

#### Receipt of Payments – Substantial Assurance

We walked through the 'receipting payment' process including batch receipting and the Jade Security Services Ltd collection of receipts for banking. No weaknesses were



identified. This walkthrough has also confirmed that the controls covered in the 2015/16 review have been tested and continue to operate in 2016/17.

#### Credit Notes / Cancellation of invoices – Substantial Assurance

Any NBC employee that is required to raise sales requisitions as part of their duties, and has been set up on Agresso to do so, can raise a sales requisition. Only the officer who raised the sales requisition initially can raise a sales credit note. When the credit note requisition is approved by the line manager, it is processed through workflow prior to LGSS Exchequer final check and approval. Our testing involved a walkthrough of the credit note process from the point of LGSS involvement and confirmed that no weaknesses have been identified. We can also confirm that the controls covered in the 2015/16 review have been tested and continue to operate in 2016/17.

#### Debt Recovery and Write off – Substantial Assurance

We walked through the debt recovery and write off processes and noted that there are appropriate processes and controls in place over these functions. Further to the above, and as part of the 2016/17 review, we also followed up on the implementation of recommendations raised during the 2015/16 review. We are satisfied that all the recommendations raised during our previous review in this area, have been implemented and actioned.

#### User Access – Substantial Assurance

We walked through the user access process ensuring that access responsibilities were allocated to appropriate officers. Our testing also involved checking that the requisitioners, approvers and the debt write-off officer as identified in the process areas above had the appropriate user access. No issues and / or weaknesses were identified.

**Northampton Borough Council (NBC)**

**Third Party Assurance – LGSS General Ledger (GL) 2016/17**

The table below provides a breakdown of the levels of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

<b>Risk Area</b>	<b>Assurance opinion</b>
Access to GL	Substantial
Journals / Virements	Substantial
General Control Environment	Substantial
Coding Structure	Substantial
Feeder Systems	Substantial
Access and Data Security	Substantial
Reconciliations	Substantial
VAT	Substantial
<b>Overall Level of Assurance</b>	<b>Substantial</b>

Where testing and systems reviews have identified areas requiring further improvements these will be discussed with LGSS management and suitable actions will be agreed.

**Details of findings and assurance opinions**

Access to GL – Substantial Assurance

We walked through the GL access process and noted that the following weakness. A monthly report of officers who have access to GL functionalities are produced and reviewed by the system owner. This report is sent to the key team leaders on a monthly basis for checking and review. A review of the February 2017 email sent to Finance identified the following issues:

- A monthly email together with a User Access Report is sent from Systems to HR, Payroll and Finance for review to ensure access rights remain the same or has not changed. Although the recipients of the email (in this instance only) were aware what was required of them, there were no instructions on the email specifying what the requirements were. If the current team leader leaves their current employment or a new team leader is appointed, existing tasks may not be undertaken.
- It was also noted that the email as noted above was sent from an individual's work email address i.e. an individual who worked within the systems team and not from the System Team's generic email address. While we are not particularly concerned with what email address is used to send the report, our concern is, if any issues have been identified with the report initially submitted, any replies

may automatically be sent to the email address that was used to send the initial email rather than the systems team generic email address. There is a risk if that officer is off work, any updates and or changes may not be made or it may not be made on a timely basis.

Notwithstanding the issues identified above, we found that on this walkthrough test, GL access reports were sent to relevant managers as required and that they were being checked.

#### Journals / Virements - Substantial Assurance

We walked through the Journal / Virement process including the authorisation arrangements. No issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

#### General Control Environment - Substantial Assurance

We walked through the GL general control environment process including the timetable for key maintenance tasks. No issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

#### Coding Structure - Substantial Assurance

We walked through the GL general coding structure. No issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

#### Feeder Systems - Substantial Assurance

We walked through the process when data is submitted to Agresso via the feeder systems and the processing controls that exist to ensure that all information submitted is correct and complete. Our testing showed that control totals were produced and reconciled and no issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

#### Access and Data Security - Substantial Assurance

We walked through the GL access and data security processes and no issues have been identified. We can therefore confirm that the controls covered in the 2015/16 review continue to operate in 2016/17.

### Reconciliations – Substantial Assurance

We walked through the reconciliation processes between accounts receivable and accounts payable to the general ledger for February 2017 to ensure that monthly reconciliations are undertaken and that any unreconciled balances are investigated and cleared. No issues have been identified. Further to the above, and as part of the 2016/17 review, we also followed up on the implementation of recommendations raised during the 2015/16 review. We are satisfied that all the recommendations raised during our previous review in this area, have been implemented and actioned.

### VAT - Substantial Assurance

We walked through the VAT process in terms of:

- Ascertaining what expertise and guidance there is available;
- Ensuring that VAT returns are undertaken / submitted on a monthly basis and that these are checked and signed off prior to submission;
- Checked that VAT control accounts are reconciled and cleared on a monthly basis;
- Agreed VAT payment / refund to bank statement on sample tested.

We concluded that appropriate processes and controls were in place over this function.

**Northampton Borough Council (NBC)**
**Third Party Assurance – Revenues and Benefits 2016/17**

We have undertaken a review of the controls in operation over the Revenues and Benefits systems. As agreed in the audit plan this was an audit of the high level controls over Council Tax, NNDR and Housing Benefits; it was not a detailed review of each of these systems but does give assurance that the key risks relating to the operation of these services are subject to appropriate controls. The table below provides a breakdown of assurance given for each of the process areas identified, based upon testing of LGSS systems and processes:

<b>Risk Area</b>	<b>Assurance opinion</b>
<b>Council Tax</b>	
Periodic reconciliation of Council Tax system to the Valuation Agency Listing	Substantial
Periodic reconciliation of the Council Tax system to cash receipting system	Substantial
Independent Reviews of exceptions, e.g. banding changes, suppressed accounts, overpayments and refunds.	Substantial
Periodic reconciliation of Council Tax system to the general ledger	Substantial
Reconciliation of the gross Council Tax debit to the number of properties	Substantial
Periodic production and independent review of Council Tax arrears and credit reports.	Substantial
<b>NNDR</b>	
Periodic reconciliations between the Authority's records and Valuation Office listings	Substantial
Periodic reconciliation of the NNDR system to cash receipting system	Substantial
Independent reviews of exceptions; e.g. suppressed accounts, overpayments and refunds.	Substantial
Periodic reconciliation of NNDR system to the general ledger	Substantial
Periodic production and independent review of arrears and credit reports.	Substantial
<b>Housing Benefits</b>	
Periodic reconciliation of benefit system to the Ledger	Substantial
Periodic reconciliation of benefit system to payments made.	Substantial
Management oversight of the implementation of changes to legislation.	Substantial
<b>Overall Level of Assurance</b>	<b>Substantial</b>

Whilst we are able to give substantial assurance over the operation of these high level controls, we did identify areas where the documentation of reconciliations and allocation of responsibilities for these would benefit from greater clarity. The Revenues Manager has agreed to take forward the detail of these findings and work with colleagues to develop practical solutions and process enhancements.

### **Council Tax**

We documented and reviewed the operation of high level controls in the Council Tax system. The high level controls included in the review were as follows:

- Periodic reconciliation of Council Tax system to the Valuation Agency Listing
- Periodic reconciliation of the Council Tax system to cash receipting system
- Independent Reviews of exceptions, e.g. banding changes, suppressed accounts, overpayments and refunds.
- Periodic reconciliation of Council Tax system to the general ledger
- Reconciliation of the gross Council Tax debit to the number of properties
- Periodic production and independent review of Council Tax arrears and credit reports.

Our audit confirmed the operation of these controls in 2016/17.

### **Business Rates (NNDR)**

We documented and reviewed the operation of high level controls in the NNDR system. The high level controls included in the review were as follows:

- Periodic reconciliations between the Authority's records and Valuation Office listings
- Periodic reconciliation of the NNDR system to cash receipting system
- Independent reviews of exceptions; e.g. suppressed accounts, overpayments and refunds.
- Periodic reconciliation of NNDR system to the general ledger
- Periodic production and independent review of arrears and credit reports.

Our audit confirmed the operation of these controls in 2016/17.

### **Housing Benefits**

We documented and reviewed the operation of high level controls in the Housing Benefits system. The high level controls included in the review were as follows:

- Periodic reconciliation of benefit system to the Ledger
- Periodic reconciliation of benefit system to payments made.

- Management oversight of the implementation of changes to legislation.

Our audit confirmed the operation of these controls in 2016/17.

**Northampton Borough Council (NBC)**
**Third Party Assurance – LGSS Bank Reconciliation 2016/17**

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

<b>Risk Area</b>	<b>Control Environment</b>	<b>Compliance</b>
Timeliness of reconciliations	Substantial	Substantial
Accuracy of reconciliations	Substantial	Substantial
Timely clearance and reporting of unreconciled items	Good	Good
<b>Overall Level of Assurance</b>	<b>Substantial</b>	<b>Substantial</b>

In October 2016, NBC changed their bankers from HSBC to Barclays. The four bank accounts with HSBC remain open for a transition period and they continue to be reconciled as well as the new Barclays accounts.

**Details of testing and findings**
Timeliness of reconciliations

Testing was undertaken on the May and November 2016 Primary, Benefits, Credit Suspense and Special Interest HSBC bank account reconciliations to confirm if they had been completed and reviewed in a timely manner. Similar testing was also completed on the November 2016 Barclays bank account reconciliations for the same four accounts.

The testing confirmed that adequate controls are in place for this process. Bank reconciliations had been completed on a timely basis and had been reviewed by an LGSS signatory.

Accuracy of reconciliations

The accuracy of reconciliations was tested for the May and November 2016 Primary, Benefits, Credit Suspense and Special Interest HSBC bank account reconciliations. Similar testing was also completed on the November 2016 Barclays bank account reconciliations for the same four accounts. No issues were identified, with all these reconciliations found to be fully and accurately completed.

Documented procedures are in place and adequate cover / resilience is available to ensure a reliable service for the completion of NBC bank reconciliations.



### Timely clearance and reporting of unreconciled items

Testing confirmed that unreconciled items on the bank accounts are monitored and reported appropriately but actions taken to resolve these items is not always sufficiently robust to get them cleared in a timely manner. The number of outstanding unreconciled items over 6 months old has increased between 31 May 2016 and 30 November 2016 on both the HSBC Primary account (from 2 to 14, with a net value of £5,162.98) and the HSBC Benefits account (from zero to 6, with a net value of £43,363.06).

Timely action has not been taken to deal with items relating to out of date cheques on the Benefits bank account. On the reconciliation at the end of November 2016, there were 15 unreconciled items relating to unpresented cheques that were over 6 months old (13 of these were over 9 months old and 8 were over 12 months old).

To address this control weakness, the following actions have been agreed:

1. LGSS manager will sign off reconciliations to ensure that adequate action is being taken to get all unreconciled items cleared in a timely manner (maximum of 6 months), escalating issues if other sections are not supporting resolution.
2. Appropriate action will be taken in order to clear all outstanding unreconciled items which exceed a six month period.
3. Unpresented cheques, older than 6 months, to be cancelled on a timely basis.

**Northampton Borough Council (NBC)**

**Third Party Assurance – ICON Access Controls**

In their 2015/16 ISA260 report, the external auditors made recommendations in relation to the control of access to the ICON and IBS systems which are feeder systems to the general ledger for the production of the annual accounts.

As part of the third party assurance for 2016/17 it was agreed that LGSS Internal Audit would review the access controls and in particular the implementation of the agreed management actions arising from the ISA260 report. This work has been completed and the results are set out below.

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

<b>Risk Area</b>	<b>Control Environment</b>	<b>Compliance</b>
ICON Access - Starters	Substantial	Substantial
ICON Access – Leavers	Good	Moderate
<b>Overall Level of Assurance</b>	<b>Substantial</b>	<b>Good</b>

**Details of findings**

ICON

Testing in 2015/16 identified that 12 former staff were on user the list, of which five were disabled and seven still active users. **The management response to this issues was that staff responsible for maintaining user access to the ICON system have incorporated a review and disablement of users who have left into their routine monthly processes linking with the HR and Payroll teams.** We have followed up the implementation of this management action and reviewed the access controls operating on the ICON system to assess both control environment design and compliance.

ICON Access – Starters

We reviewed a sample of users and testing confirmed that there is an adequate process for requesting and authorising access to the ICON system and this is being complied with.

ICON Access – Leavers

Our review confirmed that the change agreed by management in the ISA 260 report was implemented in October 2016. The new control as designed provides an appropriate control over the removal of leavers from access to the ICON system. We

noted, however, that the application of the new control has been inconsistent in the period since implementation. The November and December reports of leavers were not produced until March 2017. We have, nevertheless confirmed that all leavers identified on these reports have been removed from access to the ICON system.

A recommendation has been agreed to implement a consistent, regular routine of receiving and processing leaver reports should be kept under review until it proves to be business as usual.

**Northampton Borough Council (NBC)**

**Third Party Assurance – IBS Access Controls**

In their 2015/16 ISA260 report, the external auditors made recommendations in relation to the control of access to the ICON and IBS systems which are feeder systems to the general ledger for the production of the annual accounts.

As part of the third party assurance for 2016/17 it was agreed that LGSS Internal Audit would review the access controls and in particular the implementation of the agreed management actions arising from the ISA260 report. This work has been completed and the results are set out below.

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

<b>Risk Area</b>	<b>Control Environment</b>	<b>Compliance</b>
IBS Access - Starters	Substantial	Substantial
IBS Access – Leavers	Good	Substantial
<b>Overall Level of Assurance</b>	<b>Substantial</b>	<b>Substantial</b>

**Details of findings**

IBS:

Testing by external audit in 2015/16 identified that 14 former staff had active accounts. **The management response to this issue was that timely leaver forms needed to be completed and cascaded to the relevant departments had now been implemented.** We have followed up the implementation of this management action and reviewed the access controls operating on the IBS system to assess both control environment design and compliance.

IBS Access – Starters

A new eform process for access to the IBS system was introduced in October 2016. By design the new process incorporated a manual email notification to the requesting manager to confirm they had made the request, with this email evidence being retained on Sharepoint. Our testing found that whilst the e-form process was working effectively, this email evidence was not consistently retained. It is recommended that consideration should be given to automating the email confirmation to managers and then dispensing with the retention of copies of these emails.

#### IBS Access - Leavers

Removal of users from access to the IBS system is reliant on Line managers notifying Housing Systems team. The access is, however, linked to the network access as users sign on through a single sign on. The leavers for November and December were therefore tested for access to both the IBS system and Active Directory. This confirmed that no leavers had retained access to the IBS system.

By design this Active Directory leaver process does not link to leavers from the payroll system and is reliant on manager notification. In practice this, combined with the removal of users inactive for 60 days was found to have been effective in removing all leavers. It would not, however, identify any user accounts which continued to be used after the user left where the manager failed to notify the IT helpdesk.

It is recommended that the payroll leavers report used to check ICON users for removal from that system should also be used to identify users for removal from Active Directory.

**Northampton Borough Council (NBC)**
**Third Party Assurance – LGSS Treasury Management 2016/17**

The table below provides a breakdown of the level of assurance given for each of the risk areas identified, based upon testing of LGSS:

<b>Risk Area</b>	<b>Control Environment</b>	<b>Compliance</b>
Strategy and Policy	Substantial	Substantial
Management of Surplus Funds	Substantial	Substantial
Maximising Returns and Balancing Risk	Substantial	Substantial
Documentary Evidence and Authorisation	Substantial	Substantial
Performance Monitoring and Reporting	Substantial	Substantial
<b>Overall Level of Assurance</b>	<b>Substantial</b>	<b>Substantial</b>

**Details of testing and findings**

**The Council has a Treasury Management & Investments strategy / policy which is regularly reviewed and approved by members.**

Audit testing confirmed that the Treasury Management Strategy is updated annually and presented to members for approval as part of the annual budget setting process, the 2016/2017 strategy was approved by Council in February 2016.

**The Council manages its funds in an orderly and efficient manner and only lends surplus funds to appropriate organisations.**

Testing confirmed effective processes were in place for the Treasury activity which is administered on Treasury Live and updated on a daily basis. Decisions on dealing to invest surpluses or arrange short or medium term borrowing are made based on detailed intelligence. Testing confirmed that investments were only made with approved Counter Parties.

**The Council maximises returns on surplus funds balancing security, liquidity and risk.**

A review of the Treasury Management strategy confirmed that the council uses Capita Asset Services to review the creditworthiness of parties that it wishes to invest with and is provided with investment advice by them. The parameters for the maximum level of investment and duration with each organisation is set. Updated lists were provided weekly by Capita or notifications are provided daily if significant risks are identified.

**All transactions are supported by adequate documentary evidence.**

Testing of the five deals confirmed that documentary evidence was on file to support all of the items tested and these demonstrated the checking and authorisation procedures that had been followed and also that appropriate procedures and controls were in place to reduce the risk of error or fraud.

**There are performance monitoring, review and reporting arrangements in place.**

An annual outturn report and quarterly reports are provided to Cabinet and Council. These included details in the Treasury Management Strategy, quarterly monitoring reports, a mid year report and an out turn report each year.

Local performance on investments is measured against the LIBID (London interbank bid rate) and for 2016/2017 it is exceeding this rate.