

## Effective Scrutiny of Treasury Management

### Self-assessment by members responsible for the scrutiny of treasury management

The CIPFA Treasury Management Code 2009 requires public service organisations to nominate a body to be responsible for the scrutiny of treasury management strategy and policies. This is a relatively new responsibility for many organisations and to undertake this role effectively the nominated committee will require support, training and guidance.

Effective scrutiny is important. As well as demonstrating compliance with the Code, the scrutiny is an important part of ensuring effective governance of treasury management.

- It helps develop a better understanding of the treasury risks faced by the organisation.
- It helps ensure better decision making on strategy & policy matters.
- It improves accountability and transparency.
- It improves knowledge and understanding of treasury matters amongst the members of the governing body.

This self-assessment has been designed to support the development of effective scrutiny. There are a number of ways that it can be used, including:

- Self-assessment by the committee responsible for undertaking the scrutiny.
- Self-assessment by the responsible committee with additional input from the audit committee (where the audit committee doesn't undertake this function directly).
- Review as part of an internal audit of treasury management.
- Review by the treasury officers / finance team responsible for reporting to the committee.

**Completed by GARMC on 22 July 2013**

| Aspects of delivering effective scrutiny  | Yes   | No | Partly  | Comments / examples   | Action plan for improvement or development  |
|---|---|----|---|---|---|
| <b>Clearly defined responsibility</b>   |   |    |   |   |   |
| Has the organisation nominated a committee to be responsible for scrutiny in compliance with the CIPFA Code of Practice?                        | Yes - GARMC   |    |   |   |   |
| Has the committee responsible for scrutiny appropriate and up to date terms of reference outlining its role in relation to treasury management? | Yes – see the attached extract from powers and duties |    |   | “To review the Treasury Management strategy and monitor progress on treasury management in accordance with CIPFA codes of practice” |   |
| <b>Knowledge &amp; training</b>   |   |    |   |   |   |
| Do those responsible for scrutiny have an appropriate level of knowledge of the following areas:  |   |    |   |   |   |
| <ul style="list-style-type: none"> <li>• Regulatory requirements</li> </ul>   |   |    | Partly, but difficult to remember.  | Although reference made to regulations at 2012 training and within reports, they are not comprehensive                              | A summary of the legislation and regulations should be included as an appendix to the periodic reports. |
| <ul style="list-style-type: none"> <li>• Treasury risks</li> </ul>  |   |    | Officers provide good updates and Members understand the overall framework. | Risk is referred to in the annual treasury management strategy but less so in other reports.  | Consider a separate risk register for treasury risks.   |

|  |      |  |   |  |  |
|--|------|--|---|--|--|
| <ul style="list-style-type: none"> <li>The organisation's treasury management strategy</li> </ul>                                |      |  | Although scrutinised annually by GARMC, it loses focus during the year. | See annual strategy.   | Include a clearer reference to strategy in the annual report.  |
| <ul style="list-style-type: none"> <li>The organisation's policies and procedures in relation to treasury management.</li> </ul> |      | Members' are not aware of exact delegated roles e.g. TMG |   | The overall policy is reported to GARMC, but the adequacy of procedures is reviewed by TMG and Internal Audit. | Members' would prefer greater transparency of the reviews undertaken by the Treasury Management Group. |
| Have committee members been provided with training on their role?  | Yes. |  | Members would welcome increased training.                               | Last September 2012. Approximately annual training.  | Include regular (at least annual) training session.  |

| Aspects of delivering effective scrutiny  | Yes                    | No | Partly  | Comments / examples                            | Action plan for improvement or development |
|---|------------------------|----|---|--|--|
| <b>Support for effective scrutiny</b>   |                        |    |   |  |  |
| Has adequate time been made on the committee agenda to allow sufficient scrutiny to take place?           |                        |    | Although time is not constrained, Members questioned the effectiveness of scrutiny. | Three annual treasury reports to GARMC.        |  |
| Have reports and briefings been provided in good time to committee members?                               | Yes.                   |    |   | In accordance with normal Council time frames. |  |
| Have reports and briefings been presented to the committee with adequate explanations and minimal jargon. | Yes and when relevant, |    |   |  |  |

|  |                   |   |  |                   |   |
|--|-------------------|---|--|-------------------|---|
|  | officers explain. |   |  |                   |   |
| <b>Coverage of the required areas</b>  |                   |   |  |                   |   |
| During the past year has the committee undertaken scrutiny in the following areas:   |                   |   |  |                   |   |
| <ul style="list-style-type: none"> <li>Reviewed adequacy of policy and procedures</li> </ul>   |                   |   | Detailed procedures not reviewed by GARMC. |                   | Members' would prefer greater transparency of the reviews undertaken by the Treasury Management Group.  |
| <ul style="list-style-type: none"> <li>Received regular briefings on performance, issues and trends affecting treasury management</li> </ul>           | Yes.              |   |  |                   |   |
| <ul style="list-style-type: none"> <li>Reviewed the organisation's risk profile and treasury risks</li> </ul>  | Yes               |   |  |                   | The risk register requires a higher profile and greater prominence within the overall risk register.  |
| <ul style="list-style-type: none"> <li>Reviewed the role of external advisors</li> </ul>   |                   | As no costs are incurred, the Committee is less concerned with monitoring Sector. |  |                   | Members would welcome an annual opportunity to meet with Sector, possibly an invite to join one of the quarterly meetings arranged by officers. |
| <ul style="list-style-type: none"> <li>Reviewed assurances on treasury management, including internal audit reports and management reports.</li> </ul> | Yes.              |   |  |                   | Internal Audit reports should be distributed as information items to Members.   |
| <b>Aspects of delivering effective scrutiny</b>  | <b>Yes</b>        | <b>No</b>   | <b>Partly</b>                              | <b>Comments /</b> | <b>Action plan for improvement or</b>   |

|  |  |  |  | <b>examples</b> | <b>development</b>   |
|--|--|--|--|-----------------|--|
| During the past year has the committee scrutinised how effectively other council bodies are performing their roles?<br>e.g. does the committee know if the nominated body responsible for implementation and monitoring (clause 3 in the code of practice) has carried this role out satisfactorily? |  | GARMC is not informed of the work undertaken by TMG. |  |                 | Members' would prefer greater transparency of the reviews undertaken by the Treasury Management Group. |
| <b>Quality of Scrutiny</b>   |  |  |  |                 |  |
| Is the committee able to demonstrate its effectiveness in providing scrutiny in any of the following ways?   |  |  |  |                 |  |
| <ul style="list-style-type: none"> <li>Questioning and constructive challenge</li> </ul>   | There is a role for every Member to probe and challenge. |  |  |                 |  |
| <ul style="list-style-type: none"> <li>Recommendations for additional actions</li> </ul>   | Yes.   |  |  |                 |  |
| <ul style="list-style-type: none"> <li>Ensuring that adequate plans are in place to provide assurance</li> </ul>   | Previous consultation on changes to investment policy.   |  |  |                 |  |
| <ul style="list-style-type: none"> <li>Follow up of recommendations or action plans</li> </ul>   | Assurance from Internal Audit combined with active       | N/A  |  |                 |  |

|   |                                  |   |  |  |  |
|---|----------------------------------|---|--|--|--|
|   | monitoring of follow up actions. |   |  |  |  |
| <ul style="list-style-type: none"> <li>Providing a report to full council on the scrutiny undertaken</li> </ul> |                                  | Members would prefer an annual report to Council. |  |  | Unclear whether the annual report should be written or verbal. |
| <ul style="list-style-type: none"> <li>Other examples</li> </ul>  |                                  |   |  |  |  |

| Aspects of delivering effective scrutiny  | Yes  | No | Partly | Comments / examples  | Action plan for improvement or development |
|---|------|----|--------|--|--|
| <b>Impact of Scrutiny</b>   |      |    |        |  |  |
| <p>Is the committee able to demonstrate the impact of undertaking scrutiny?</p> <p>Examples might include:</p> <ul style="list-style-type: none"> <li>Improvements in internal controls as a result of scrutiny of policies and procedures.</li> <li>Improvements made to reports to make them more understandable</li> <li>Members of full council are more able to understand the risks shaping the organisation's treasury strategy</li> </ul> | Yes. |    |        | <p>S 151 Officers attends meetings.</p> <p>Council / cabinet followed its recommendation.</p> <p>Improved disclosure of Prudential Limits.</p> |  |

### Overall Comments and Action Points

1. Discussion at GARMC is good natured, robust and not politically driven.
2. GARMC is comfortable that it is carrying out its delegated duties but has found areas for improvement.
3. Action points:

To discuss reporting format to Council.

Minutes and action points from TMG to be circulated to GARMC Members.

A summary of relevant legislation and regulations to be attached to future reports.

Consideration to be given to a separate treasury risk register or greater profile of treasury within the overall risk register.

Clearer reference to strategy in periodic reports.

Internal Audit reports to be circulated to Members for information.

Training in treasury to be provided at least annually

Members should be invited to meet annually with Sector

Completed by: Governance and Risk Management Committee

Date: 22 July 2013