



**Comhairle nan Eilean Siar
Internal Audit Review
Treasury Management
Final Report –2023/24 -1**

6 March 2025

COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
TREASURY MANAGEMENT

CONTENTS

	Page
SECTION 1 EXECUTIVE SUMMARY	1-2
SECTION 2 RECOMMENDATIONS AND AUDIT OPINION	3
APPENDIX A RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT	4
APPENDIX B DEFINITION OF AUDIT OPINIONS	5
APPENDIX C ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES	6

Date of Visit	February 2025
Draft Report Issued	N/a
Management Response Received	N/a
Final Report Issued	6 March 2025

Issued to:	
Chief Executive	Malcolm Burr
Chief Finance Officer	Norman Macdonald
Principal Accountant	Katherine Smith
Chief Internal Auditor	Sandy Gomez
External Audit	Martin Devenny

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
TREASURY MANAGEMENT**

SECTION 1: EXECUTIVE SUMMARY

Introduction

1.1 The Report has been prepared following an internal audit review of Treasury Management as part of the operational annual internal audit plan for 2023/24. This review was postponed in 2023/24. The purpose of the Report is to provide an overview of the Comhairle's arrangements for the operation and management of Treasury Management. The scope of the audit included a review of the following objectives:

- Confirm that the borrowing and lending transactions of the Comhairle are in accordance with statutory powers and approved policy and strategy; Confirm that this is in line with CIPFA Treasury Management Code of Practice;
- Confirm that Investments, annual borrowing requirements and daily balances are properly estimated;
- Confirm that the PWLB borrowing in the treasury management system is reconciled to the annual PWLB balance and forms part of the year end accounts procedures;
- Confirm that the operating controls are effective; Division of duties, Bank approval, regular reporting, monthly reconciliation, password controls, etc;
- Confirm that borrowing, lending and investment transactions are properly controlled and countersigned by an independent officer;
- Confirm that there is succession planning in place in the event of any staff leaving or long-term absence to ensure the treasury function runs effectively;
- Confirm that deposits and interest are recalled and paid/repaid on the due dates;
- Confirm that a lending list of approved institutions is updated with risk ratings on a regular basis as per the current market conditions;
- Confirm that all staff involved in Treasury Management have the appropriate training relevant to their needs and attend regular courses and seminars provided by the Treasury Advisors; this also applies to all members who are responsible for scrutiny;
- Confirm that there is accurate reporting of cash flow information, with cash flows being monitored; and
- Confirm there have not been any long-term effects on the Treasury Management section in the aftermath of the cyber-attack.

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
TREASURY MANAGEMENT**

Background Information

- 1.2 The Treasury Management Code provides a framework for effective treasury management in public sector organisations. The Treasury Management Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

Treasury Management is a critical function that encompasses the management of financial assets and liabilities with the Comhairle. The function seeks to maximise liquidity, manage risks and optimise returns.

The Comhairle operate 11 bank accounts with an investment portfolio in excess of £34m and debt portfolio £127,399m.

The treasury management activities are regulated by professional codes, statutes and guidance and are contained in the Treasury Management Policy Statement. Overall responsibility for the function is with the Chief Officer-Strategic Finance and is line managed by the Principal Accountant. Day to day operations is delegated to the Treasury Manager.

Concluding Remarks

- 1.3 Based on our review of Treasury Management it can be concluded that the function operates in accordance with the CIPFA Code of Practice on Treasury Management and there are no issues to report.

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
TREASURY MANAGEMENT**

SECTION 2: RECOMMENDATIONS AND AUDIT OPINION

- 2.1 We have graded our detailed findings and recommendations, based on the likelihood of the identified weakness occurring and the impact on the Comhairle if it should occur.

The following table contains the definitions applied by Internal Audit in rating audit findings/actions and the number of recommendations in each rating.

Definition of recommendation	Grade	No.
Major weaknesses that could have a significant impact on the Comhairle if not addressed and contained urgently.	High	0
Important issues relating to controls being absent, not operating as expected or could be improved.	Medium	0
The weakness is unlikely to have a material impact on the Comhairle. These are not critical but management should address.	Low	0

Where we have identified isolated exceptions in our sample testing, and we consider that they are unlikely to recur; and would have no significant impact if they should occur;

We have classified them as minor or trivial, discussed them with relevant officers and detailed them in Appendix C to the Report.

- 2.2 Based on the audit work carried out our overall opinion is that a full level of assurance can be placed upon the control environment of the service/area under review.

Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.

It should be noted that our findings and conclusions are based on the information made available to us at the time of our review.

Internal Audit
Comhairle Nan Eilean Siar
Sandwick Road
Stornoway
Isle of Lewis
HS1 2BW

6 March 2025

RESPECTIVE RESPONSIBILITIES OF MANAGEMENT AND INTERNAL AUDIT

Responsibility in Relation to Internal Controls

It is the responsibility of the Comhairle's management to maintain adequate and effective financial systems and to arrange for a system of internal controls. Our responsibility as internal auditors is to evaluate the financial systems and associated internal controls. In practice, we cannot examine every financial implication and accounting procedure within an activity, and we cannot substitute for management's responsibility to maintain adequate systems of internal controls over financial systems. We therefore may not identify all weaknesses that exist in this regard.

It is the responsibility of the Comhairle's management to consider the detailed findings of this Report, where such findings have a specific impact on risk registers. This may include a risk that has not yet been identified, or current risk controls which may be required to be updated to reflect any changes as a result of the findings contained in this report.

Responsibilities in Relation to Fraud and Corruption

The prime responsibility for the prevention and detection of fraud and irregularities rests with management. They also have a duty to take reasonable steps to limit the opportunity for corrupt practices. It is our responsibility to review the adequacy of these arrangements, but our work does not remove the possibility that fraud, corruption or irregularity may have occurred and remained undetected.

We nevertheless endeavour to plan our internal audit work so that we have reasonable expectation of detecting material fraud, but our examination should not be relied upon to disclose all such material frauds that may exist.

DEFINITION OF AUDIT OPINIONS AND RATINGS

The standard definitions for internal audit assurance over an engagement are as follows:

Level of Assurance	Definition
Full Assurance	Internal control, governance and risk management are of a high standard. A sound system of control to achieve the system objectives exists and the controls are being consistently applied.
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

**COMHAIRLE NAN EILEAN SIAR
INTERNAL AUDIT FINAL REPORT
TREASURY MANAGEMENT**

APPENDIX C

ISOLATED EXCEPTIONS TO EXPECTED PROCEDURES AND CONTROLS

ITEM	ISOLATED EXCEPTION	RESPONSIBLE OFFICER	AGREED Y/N	DATE OF DISCUSSION