

## Effective Scrutiny of Treasury Management

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

The CIPFA Treasury Management Code 2011 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. CIPFA's publication *Audit Committees, Practical Guidance for Local Authorities and Police*<sup>1</sup> published in 2013 provides guidance to the audit committee if it is nominated to take on the scrutiny role. It also identifies core areas of knowledge that committee members would require to undertake this role effectively.

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.

The most important thing is that the review is used to identify any areas where support or training is needed to ensure the development of effective scrutiny.

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<sup>1</sup> <http://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book>

| 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?                        |     |    |        |                     |  |
| Has the committee responsible for scrutiny appropriate and up to date terms of reference outlining its role in relation to treasury management? |     |    |        |                     |  |
| <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>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Treasury risks</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>The organisation's treasury management strategy</li> </ul>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>The organisation's policies and procedures in relation to treasury management.</li> </ul>                |     |    |        |                     |  |
| Have committee members been provided with training on their role? <sup>2</sup>  |     |    |        |                     |  |

<sup>2</sup> See [Treasury Management Panel Bulletin December 2009](#) for information on key skills

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|--|-----|----|--------|---------------------|--|
| <b>Support for effective scrutiny</b>  |     |    |        |                     |  |
| Has adequate time been made on the committee agenda to allow sufficient scrutiny to take place?  |     |    |        |                     |  |
| Have reports and briefings been provided in good time to committee members?  |     |    |        |                     |  |
| Have reports and briefings been presented to the committee with adequate explanations and minimal jargon.  |     |    |        |                     |  |
| <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 whether appropriate policy and procedures have been adopted.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Reviewed the robustness of the process for strategy development, for example whether option appraisals and opportunity costing have been used.</li> </ul> |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Received regular briefings on performance, issues and trends affecting treasury management.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Reviewed the organisation's risk profile and treasury risks and how these are managed (eg Use of CIPFA's Treasury Risk Toolkit).</li> </ul>               |     |    |        |                     |  |

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|--|-----|----|--------|---------------------|--|
| <ul style="list-style-type: none"> <li>Reviewed the role of external advisors and the adequacy of other sources of financial information.</li> </ul>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Reviewed assurances on treasury management, including internal audit reports and management reports.</li> </ul>   |     |    |        |                     |  |
| <p>During the past year has the committee scrutinised how effectively decision making bodies are performing their roles as defined by clauses 2 and 3 in the code of practice?<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?</p> |     |    |        |                     |  |
| <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>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Recommendations for additional actions.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Ensuring that adequate plans are in place to provide assurance.</li> </ul>  |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Follow up of recommendations or action plans.</li> </ul>  |     |    |        |                     |  |

| Aspects of delivering effective scrutiny  | Yes | No | Partly | Comments / examples | Action plan for improvement or development |
|---|-----|----|--------|---------------------|--|
| <ul style="list-style-type: none"> <li>Providing a report to full council on the scrutiny undertaken</li> </ul>   |     |    |        |                     |  |
| <ul style="list-style-type: none"> <li>Other examples</li> </ul>  |     |    |        |                     |  |
| <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> |     |    |        |                     |  |

Completed by:

Date: