

Gloucestershire Hospitals NHS Foundation Trust Internal Audit Report 2008/09 Review of Treasury Management



Assurance rating this review	High
Assurance rating previous review	Not applicable

Distribution List

Terry Smith, Director of Finance

Bob Broad, Assistant Director of Finance

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Timetable

Action	Planned date	Actual date
Agreement of terms of reference	17 March 2008	17 March 2008
Fieldwork start	4 July 2008	4 July 2008
Fieldwork complete	7 July 2008	7 July 2008
Draft report to client	21 July 2008	18 July 2008
Response by client	4 August 2008	28 July/19 September 2008
Final report	11 August 2008	19 September 2008

This report has been prepared solely for the Gloucestershire Hospitals NHS Foundation Trust in accordance with our contract and our standing report dated July 2008. We do not accept or assume any liability or duty of care for any other purpose or to any other party. This report should not be disclosed to any third party, quoted or referred to without our prior written consent

Background and scope

Introduction

The review of Treasury Management arrangements was carried out as part of the Gloucestershire Hospitals NHS Foundation Trust's 2008/09 Internal Audit plan.

Background

The Trust has recently revised its Treasury Management Procedures and we have made some specific comments on the detail of this document separately to the Assistant Director of Finance. The revised procedures are still in draft format and are currently with the Director of Finance for review, prior to formal approval at board or committee level.

The revised procedures open up the way for the Trust to make greater use of commercial banking facilities for banking, loans and investments. Currently the Trust uses only the Paymaster General (PGO) for its banking, although it does have a £28.75m working capital facility with Barclays, which has never been used. The Trust has negotiated a loan facility of approximately £40m with the Foundation Trust Financing Facility which is repayable over 25 years. The loan is for the financing of the Trust's capital programme over the next three years and thus far £17.8m has been drawn down.

Cashflow forecasting is undertaken daily within the Trust Finance Department, and cash balances are forecast on a prudent basis with income generally being under-estimated and expenditure over-estimated. Surplus funds are generally invested each Friday, usually for seven days, with the National Loans Fund. During the 2007/08 financial year, the Trust earned interest income of £1.8m. In 2008/09 this figure is expected to be significantly lower due to reductions in interest rates and generally lower cash balances as the Trust funds its capital programme.

Approach and scope

Approach

Our work is designed to comply with the Government Internal Audit Standards and focused on a review of the systems and processes in place, and discussions with appropriate staff.

Scope

The Terms of Reference were agreed with the Trust in March, but at the request of the Trust Director of Finance, our fieldwork was delayed until after the Trust had completed the annual accounts process. Our reviewed sought to ensure that:

- Corporate treasury management activities are adequately controlled;
- Banking arrangements are approved, documented and communicated;
- Cash balances are forecast and managed;
- Investment policies and procedures have been formally documented and communicated;
- Funds are invested appropriately;
- All investments are appropriately authorised;
- Funds available for investment are identified promptly and invested; and
- All deposits are returned intact at the end of the investment period and the correct amount of interest is received in full.

Staff involved in this review

We would like to thank all Trust staff involved in this review for the co-operation and assistance.

Name of client staff	
Bob Broad	Caroline Parker

Our opinion and assurance statement

Introduction

This report summarises the findings of our review of Treasury Management arrangements at the Gloucestershire Hospitals NHS Foundation Trust.

The table below summarises the number of findings raised and the priority rating assigned.

Risk Rating	Number of findings
Critical	0
High	0
Medium	0
Low	0
Total	0

Opinion

We are required to provide an opinion on the adequacy and effectiveness of internal control in relation to the area under review. Our opinion is based on the work performed as set out in the agreed terms of reference and is subject to the inherent limitations set out in the limitations and responsibilities section of this report. We also provide an assurance statement for the area under review.

Design of the controls under review

We identified no weaknesses in the design of controls.

Operation of the controls under review

We identified no weaknesses in the operation of controls.

Assurance statement

Our review identified no weaknesses in the design and operation of controls which could impair the achievement of the objectives of the system, function or process.

As a result, a **high** level of assurance can be given on the adequacy and operating effectiveness of controls in place over Treasury Management arrangements at the time of our audit.