

## CORPORATE GOVERNANCE COMMITTEE REVIEW OF ACTION PLAN FOR TREASURY MANAGEMENT SEPTEMBER 2009

Recommendations	Management Response/Actions	Owner	Progress
<p>1. Communication between the MPA and MPS</p> <p>The quarterly meetings on treasury management activities between the MPA Treasurer and the Director of Exchequer Services should be reinstated.</p> <p>The Director of Finance Services and the Director of Resources should include treasury management activity as an agenda item in their meetings with the Treasurer.</p> <p>The MPS Director of Resources should ensure that she is kept fully up-to-date on treasury management and that any exceptions are appropriately escalated to the Treasurer.</p>	<p>Quarterly meetings reinstated since October 2008 and supplemented by further meetings as necessary.</p> <p>Treasury Management to be a standing item on the agenda for meetings with the Director of Finance Services and the Director of Resources.</p> <p>Monthly treasury management reports are sent to the Director of Resources and the Director of Finance. MPS meetings held quarterly between MPS Director of Resources and Treasury Team, and meetings held monthly between Director of Resources and Director of Finance Services. The escalation process by Exchequer Services involves an e-mail arrangement, which now includes</p>	<p>Treasurer / Director of Exchequer Services</p> <p>Director of Finance Services/ Director of Resources/ Treasurer</p> <p>Director of Finance Services/ Director of Resources/ Treasurer</p>	<p>Implemented. Treasurer and Director of Exchequer Services meeting monthly</p> <p>Implemented. The Director of Finance meeting and the Director of Resources meeting with the Treasurer do not have a formal agenda, are not minuted but Treasury Management items are discussed.</p> <p>Implemented</p>

Recommendations	Management Response/Actions	Owner	Progress
	the Treasurer. Issues will also be discussed as appropriate at the meetings referred to above.		
<p>2. Roles and Responsibilities</p> <p>The roles and responsibilities of the MPA and MPS for treasury management need to be clearly defined and documented. (Appendix 3 to the KPMG Report outlines the suggested responsibilities).</p> <p>The financial regulations and Treasury Management Policy should be aligned in respect to individual roles and responsibilities.</p> <p>The provision of treasury services by the MPS needs to be formally documented and set out in the treasury management policy</p>	<p>Roles and responsibilities will be clearly set out in one single Treasury Management Systems Document.</p> <p>The Financial Regulations, Scheme of Delegation and Treasury Management Policy Statement will be reviewed and aligned as appropriate. The revised Treasury Management Policy and supporting Treasury Management Systems Document will clearly set out the provision of treasury management services by the MPS.</p> <p>A detailed SLA will be prepared by the MPS and agreed with the Treasurer following the revision of the Policy Statement.</p>	<p>Treasurer</p> <p>Treasurer</p> <p>Director of Exchequer Services on behalf of the Director of</p>	<p>Deadline April 2009. Roles and responsibilities defined in TM Policy agreed by April's F&amp;R Committee and are included in the updated Treasury Management Policies that form part of the Treasury Management Systems Document and are currently being finalised.</p> <p>The TM Policy Statement was agreed at the April meeting of Finance and Resources Committee. Revised Financial Regulations/Scheme of Delegation to be reported to September meeting of the full Authority. Deadline 30 April 2009.</p> <p>The SLA forms part of the TM Systems Document that is being reviewed by senior management and the Treasurer.</p>

Recommendations	Management Response/Actions	Owner	Progress
document with a separate service level agreement.		Resources and Treasurer.	
<p>3. Treasury Governance</p> <p>The Treasurer must ensure that he receives sufficient information on all treasury matters from the MPS and provide effective challenge over the treasury and investment activities.</p> <p>The members of the Finance and Resources Committee must fulfil their responsibility for oversight of the treasury management operations through reviewing quarterly reports on treasury performance and the approval of an annual treasury management policy and strategy in accordance with the committee's terms of reference.</p>	<p>Daily reports on investment activity and changes in market conditions together with monthly treasury management performance reports are provided to the Treasurer. A minimum of monthly meetings between the Treasurer and MPS treasury management staff and the Director of Resources and Director of Finance provide sufficient information.</p> <p>Detailed quarterly reports on treasury performance are presented to the Resources Sub Committee, as agreed in its terms of reference. Reports on the annual treasury management policy and strategy, together with half year and full year reports are presented to the Finance and Resources Committee.</p>	<p>Treasurer</p> <p>Chair of MPA Finance and Resources Committee/ Treasurer</p>	<p>Implemented</p> <p>Implemented. The Resources Sub Committee now considers quarter end reports on behalf of F&amp;R Committee. The annual treasury management strategy was reported to the meeting of Finance and Resources Committee on 19 March 2009, and will be reviewed and updated annually.</p>
4. Treasury Management Policy			

Recommendations	Management Response/Actions	Owner	Progress
<p>The treasury management policy statement should be updated for the changes in policy set out in the annual investment strategies since 2000 and updated to reflect the current financial market conditions.</p> <p>The revised treasury management policy statement should be approved by the Finance and Resources Committee and a procedure developed to ensure that it is kept up-to-date.</p>	<p>The treasury management policy statement will be updated and presented to Finance and Resources Committee in April. A procedure is now in place to ensure updating as part of the monthly meetings between Treasurer and MPS Director of Exchequer Services.</p> <p>As a minimum, there will be an annual update reviewed at March meetings of Finance and Resources Committee.</p>	<p>Treasurer/ Director of Exchequer Services</p> <p>Chair of Finance and Resources Committee</p>	<p>The TM Policy Statement was reported to the April 2009 Finance and Resources Committee.</p> <p>Implemented. The policy statement update was reported to the April 2009 meeting of the Finance and Resources Committee and in future will be reported to the March meetings of the Finance and Resources Committee.</p>
<p>5. Treasury Reports</p> <p>The MPS should ensure that the Treasurer is sent a copy of the monthly treasury report on a timely basis.</p> <p>The Director or Exchequer Services should discuss the additional reporting requirements for the Treasurer and implement as required. This may include a copy</p>	<p>Monthly treasury reports are being sent to the Treasurer within five working days.</p> <p>The Director of Exchequer Services has discussed requirements with the Treasurer and daily dealing list including investments and the lending list are being provided.</p>	<p>Director of Exchequer Services</p> <p>Director of Exchequer Services/ Treasurer</p>	<p>Implemented</p> <p>Implemented</p>

Recommendations	Management Response/Actions	Owner	Progress
of the daily dealing list including the investments and lending list.			
<p>6. Treasury Processes</p> <p>The Director or Exchequer Services should ensure that the treasury management practice notes are updated and approved by senior management in consultation with the Treasurer.</p>	<p>The existing twelve treasury management practice notes are being reviewed to reflect the changed economic climate and revised TM Policy and Strategy. They will be approved by the Director of Resources, Director of Finance and the Treasurer.</p>	<p>Director of Exchequer Services</p>	<p>Deadline 30 April 2009. Treasury Management practice notes have been drafted and aligned to the revised Treasury Management Policy and Strategy. These notes are incorporated into the Treasury Management Systems document, which have now been reviewed by senior management and recently forwarded to the Treasurer for consideration.</p>
<p>7. Credit Ratings</p> <p>The Treasury Management team should collect additional information on counterparties such as credit default swap prices, counterparty share price and additional credit ratings from S&amp;P and Moody's.</p>	<p>MPS Treasury Management Services are currently liaising with KPMG on the most cost efficient way to monitor credit default swap prices, counterparty share prices will be monitored on a daily basis by the in house Treasury Management Team. Additional credit ratings service has already been procured from Moody's and the MPS are in discussion with S&amp;P for provision of their rating service.</p>	<p>Director of Exchequer Services</p>	<p>CDS, share price and Moody's credit ratings have been collected since February 2009. The MPS has identified an information system that provides a full range of credit risk data and are finalising terms for access to this system to go live in September 2009.</p>

Recommendations	Management Response/Actions	Owner	Progress
	The need for an agreed set of ratings criteria will be brought to the Resources Sub Committee for its consideration.	Treasurer	The Treasurer is undertaking a review of investment strategy, which includes ratings criteria, and will report to the 5 November meeting of the Resources Sub Committee.
<p>8. Lending List</p> <p>The Director of Finance Services should approve the revised lending list before it is circulated.</p> <p>The Investment and Fund Manager should include the Acting Director of Finance Services, the Director of Resources and the Treasurer on the distribution list when sending out the revised lending list.</p>	<p>The Director of Finance Services approves the lending list before circulation.</p> <p>Investment and Fund Manager to include Director of Finance and Director of Resources when distributing the revised lending list.</p>	<p>Director of Finance Services</p> <p>Investment and Fund Manager</p>	<p>Implemented</p> <p>Implemented</p>
<p>9. Requests and Instructions</p> <p>The Treasurer should ensure that all future requests and instructions to the MPS Treasury Management team are clear and unambiguous. The Director of Exchequer Services should ensure that all future requests and instructions received from the Treasurer are acted on and</p>	<p>Process agreed with MPA/MPS. Monthly meetings with recorded actions supplemented by appropriate action sheets are taking place.</p>	<p>Treasurer/ Director of Exchequer Services</p>	<p>Implemented</p>

Recommendations	Management Response/Actions	Owner	Progress
followed up to an agreed resolution with the Treasurer.			
<p>10. Confirmations</p> <p>All confirmations should be matched by an individual who is independent of the dealing process on a timely basis. Any unmatched confirmations should be immediately investigated and reported to the MPS Director of Resources and the MPA Treasurer.</p>	<p>An independent member of staff will be assigned. Unmatched confirmations will be reported immediately to the Director of Resources and the Treasurer.</p>	<p>Director of Exchequer Services</p>	<p>Implemented</p>
<p>11. Segregation of Duties</p> <p>Individuals involved in the back office and control activities should not be authorised dealers.</p>	<p>MPS will ensure an additional independent individual will act as an authorised dealer should any exceptional circumstances arise. Any resulting confirmation process will be checked by the MPS Director of Exchequer Services.</p>	<p>Director of Exchequer Services</p>	<p>Implemented</p>
<p>12. Use of Brokers</p> <p>The Acting Director of Finance should investigate the benefits of MPS dealing directly with counterparties and/or using an on-</p>	<p>MPS will research this matter and report to the Treasurer.</p>	<p>Director of Finance</p>	<p>Implemented. The DMO takes funds directly but none of current financial institution counterparties deal direct or offer on-line dealing.</p>

Recommendations	Management Response/Actions	Owner	Progress
line dealing portal.			
<p>13. Treasury Systems</p> <p>The Acting Director of Finance should review the investment processes and assess the possibility of using SAP more effectively or a standalone treasury system to support the Treasury Management team.</p>	<p>Further investigations will take place once the present upgrade to SAP has been evaluated.</p>	<p>Director of Finance</p>	<p>Deadline 30 June 2009. The current Treasury Management SAP module is included in a review of all SAP functionality. Timing is subject to resource allocation and prioritisation of demands on the systems team.</p>