















AUDIT PROGRAMME: TREASURY DEPARTMENT

Audit Objective	Working Paper ref.	Exceptions Yes/no	Initial Date
<p>Audit Objectives</p> <ul style="list-style-type: none">  To obtain satisfaction that controls exist in the processing of deals  To determine if management is planning adequately for its liquidity needs and if the organization can meet anticipated needs under normal operating conditions and in possible deteriorating and crisis liquidity situations  To determine if reasonable parameters have been established for the organization's rate-sensitivity position and if the organization is operating within established or reasonable parameters.  Ascertain that the bank receives favorable rates at all times.  To check that there is accurate recording and accounting of positions  To assist in establishing that all securities pledged in favor of the bank are recorded in the bank's favor and transferable without cost to the bank.  Ascertain that adequate security is in-place in the department.  To ensure that proper filing is in place and verify that processed documents are filed in a logical sequence  To establish that set limits are being adhered to consistently  To assist in improving and strengthening of controls in the operations of the Treasury Department  To assess the general performance of the department  To assist the Manager in the evaluation of adequacy of the existing control measures  To assess the accuracy of reconciliations and income statements  To recommend and suggest appropriate controls in the department. 			

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<p>Front Office</p> <p>1. Security</p> <p>a) Observe that entry into the dealing room is restricted to authorised personnel only</p> <p>b) Examine that all out-going security is recorded in the logbook and is updated in the computer.</p> <p>c) Inspect 10 (Ten) security movement log-out forms and see that they are signed by the co-custodian before release</p> <p>d) Check that the securities clerk physically counts incoming security before signing the security movement form</p> <p>e) Observe that the security log book is initialed by both custodians before locking away the incoming securities</p> <p>f) Esquire and verify that securities logged with the bank are easily transferable without further cost to the bank.</p> <p>g) Check the key register and verify that all keys for the custody of security items are with the individuals and signed for in the key register</p> <p>2. Authorisation</p> <p>a) Check that all sampled deals are authorised at the proper levels of authority against the deal slip (Chief Dealer or Treasury Manager)</p> <p>b) Ensure that alterations and cancellations on deal slips are authorised by the Treasury Manager</p> <p>c) Check that the copy sent to the counter-party is signed by the client</p> <p>d) Confirm that all deals are verified and a confirmation letter is produced after entering the deal in the system. (<i>A confirmation letter should be attached to the deal slip</i>)</p> <p>e) Observe that a copy deal slip is sent for second authorisation to the Back Office Manager.</p>			




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<p>3. Recording Control</p> <p>Control over documents and stationery</p> <p>a) Verify that all money market deals are timely and accurately recorded at the correct dollar value</p> <p>b) Observe that control of all pre-numbered stationary is under an authorised person and listed in a register</p> <p>c) Observe that unused stationary should be locked away and issued by an authorised person and signed for.</p> <p>d) Observe that copies of pre-printed source documents are carbonated to eliminate transcription errors.</p> <p>e) Inspect and ensure that filed copies are pre-numbered and continuous for ease of reference and continuity in document filing</p> <p>Control over Accounting Procedures</p> <p>f) Trace all matured deals to the matured deal register from Back Office</p> <p>g) Check for accurate recording and accounting of positions.</p> <p>h) Verify that an independent person checks the recording of postings</p> <p>i) Check that all concluded deals are stamped POSTED</p> <p>j) View profile of all maturing deals to assess Treasury Management cash flow provisions</p> <p>k) Trace all deals to the General Ledger and re-compute interest calculations.</p> <p>l) Check that the RBZ account reconciliation is done and all outstanding items are cleared in a reasonable time</p> <p>m) Inspect source documents for accuracy of information on source documents and ascertain that they are initialed as evidence of checking.</p> <p>.</p> <p>.</p>			

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<p>4. Segregation of Duties</p> <p>a) Check and ascertain that segregation of duties is in place. Under no circumstances may dealing room staff be involved in checking or dispatching of deal confirmations</p> <p>b) Check all signatures on deal notes and verify that different individuals countersign them.</p> <p>c) Check that there is segregation between functions of authorisation, execution and recording of transactions.</p> <p>d) Do an overall assessment and ensure that management supervision is practiced where segregation of duty is not possible</p> <p>e) Sight transaction trail reports produced on a daily basis and check that they are all signed for authenticity by an independent person</p> <p>f) Observe that new accounts opened are opened under supervision and checked for authenticity of investments.</p> <p>g) Select 10 confirmation letters and trace them to the confirmation sent register</p> <p>5. Limits</p> <p>a) Check counter-party exposure limit for all asset Management companies</p> <p>b) Check dealer limits- Maximum amount a dealer can transact without seeking higher level approval.</p> <p>c) Check product limits- Maximum exposure the bank should have in a particular instrument or product</p> <p>d)</p>			

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<p>BACK OFFICE</p> <p>6. Reconciliations</p> <p>Select 15 deals of each portfolio do the following audit tests</p> <ul style="list-style-type: none"> a) Check that all printed reconciliations are filed in sequential order. b) Sample and re-balance all portfolio recons and obtain an assertion that the recons are properly constructed c) Trace each individual deal to the recon d) Follow up each deal and note when it is cleared off the reconciliation. Establish that proper procedure on clearing the outstanding item was followed e) Establish that only outstanding items are carried on reconciliation. f) Trace items from the recon to the General Ledger and get an assertion that they are included in the management accounts. g) Trace monthly figures to the Management Accounts and compare the figures for accuracy in compilation h) Check opening balances in General Ledger and establish continuity of balances at close periods. <p>7. Processing</p> <ul style="list-style-type: none"> a) Examine deals from the front office and establish that they are confirmed by the Back Office Manager b) Check that all deals are stamped POSTED to avoid duplication c) Trace the selected deals to the filing system and establish that a systematic filing is in place. d) Select matured deals and trace them to the Maturity Register e) Verify that Roll Over deals have new deal notes and confirmation letters filed from the new roll over transaction f) Examine third party payment and establish that a letter of instruction to that effect is filed together with the deal note g) Establish that outward confirmations are recorded in a Register. 			

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8. Bank Cheques

- a) Leaf count **all** cheques in the safe and trace the pads to the cheque received copy from the printers
- b) Observe cheques being signed and note any weakness in controlling the signing process.
- c) Observe that unused bank cheques are kept under lock at all times by the Back Office Manager
- d) Observe that cheques in (c) above are held under dual custodian.
- e) Check that the bank cheque register is sequentially pre-number
- f) Observe that issued bank cheques are signed for in the issued register
- g) Observe that in-use unissued bank cheques are under the custody of a responsible individual.
- h) Observe that bank cheques for outward payments are accompanied by full documentation. (Two Confirmation Letters)
- i) Obtain a list of securities held and establish that the physical securities in the safe agree with the securities list
- j) Select 10 bank cheques and trace them to the General Ledger debit slip.
- k) Trace the General Ledger debit slips to the General Ledger posting
- l) Observe that a limited number of personnel have access to Bank Cheque pad currently in use.
- m) Inquire the check signing limits and ensure they are adhered to
- n) Examine canceled checks for a two month period noting the following:
 -  Any unsigned cheques
 -  Cheque signed by unauthorized persons.
 -  Signed cheques but not canceled.

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o) Ensure application of bank is vested in a senior officer.			