Auditing the Treasury Function

Understand the control environment and provide audit plans for your Treasury operations

4 DAY COURSE:
2-5 June
15-18 December
London

Course Director
Mark J Dougherty
A Banker, Big Four Certified Accountant and Senior Corporate Governance and Risk Management Professional with over 20 years financial services experience.

- The role and structure of treasury in the corporation/bank
- The audit of interest rate & foreign exchange risk management
- The audit of asset and liability management
- The audit of liquidity risk management
- The audit approach for sophisticated instruments
- Auditing the measurement of interest rate and currency exposure
- Auditing and analysing different kinds of risk
- Understanding and auditing different risk management instruments
- Understanding and auditing controls operation in the treasury environment

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Auditing the Treasury Function

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Course Director

Mark J Dougherty

Mark Dougherty is a Banker, Big Four Certified Accountant and Senior Corporate Governance and Risk Management Professional with over 20 years financial services experience, particularly fourteen years in Risk Management leading all aspects of Credit, Market, Liquidity and Operational Risks initiatives for multi-billion dollar banks and financial institutions, and insurance (General and Life).

He has held senior management positions within the banking, accountancy and insurance profession as an internal auditor (Canadian Imperial Bank of Commerce) and has extensive financial institutions experience in the UK and Europe, the West Indies, Asia, Canada and the United States.

Mark started his career in financial services with a mandate to upgrade the internal audit function in an internationally active bank. This role required establishing new audit standards and practices, training of audit staff globally, developing Risk-based audit programs and managing numerous field audits in Treasury, Capital Markets and Retail Banking.

He has a successful track record in implementing regulatory initiatives to establish industry-leading standards in Basel II, Sarbanes-Oxley (SOX) in banking and insurance in Risk Management, as well as Governance and Regulatory best practices such as methodologies, models, systems, policies and procedures, and Solvency II.

Mark’s Treasury experience includes risk oversight and policy setting for Asset-Liability Committee, Funds Transfer Pricing (FTP), foreign exchange, hedging and managing cash & liquidity.

Since 2007, Mark has worked in the UK and Europe as an independent consultant for a number of financial services firms including Europe-Arab Bank.

His risk advisory services have included extensive training on improving the effectiveness of risk management and dealing with the challenges posed by changing regulation, especially for Risk and Capital Management under Basel II and Solvency II.

Mark is a member of the Canada-Russia Financial Working Group (Banks and Financial Markets) and participated in the Basel II Working Committee for Operational Risk.

He is a qualified accountant (CMA-Certified Management Accountant (Canada) and International Associate (American Institute of Certified Public Accountants-U.S.A.).

Course focus and features

This intensive training course is designed to offer treasury auditors, whether in corporations or financial institutions, a thorough coverage of the techniques available of the modern treasury management and its audit. The complexity of cash management in modern financial markets has placed much more emphasis on the treasury function. This not only involves keeping control over increasingly complex interest rate and currency exposures, but also keeping abreast of the latest techniques for managing those risks whilst effectively managing the funds of the institution.

Learning Objective

The key benefits will be that participant will systematically review all elements of a treasury operation and consider the nature of the control environment that should be applied, leading to development of the audit programmes suitable to the firm. Key issues to be addressed will include:

- The role and structure of treasury in the corporation/bank
- The audit of interest rate & foreign exchange risk management
- The audit of asset and liability management
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- The audit approach for sophisticated instruments
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Methodology

The teaching method will include lectures, group discussions and the development of audit programmes.

Advanced Preparation: None

Training Type: Group-Live

Learning Level: Basic

Field of Study: Auditing

Price: GBP £2,845 +VAT*

*Delegates may be able to claim back VAT. Visit www.mistieurope.com/VAT for more information.

CPEs: 30
Auditing The Treasury – Identify, Analysing and Managing Risk
- The structure of a treasury function
- Front, middle and back office functions
- The treasurer’s role
- What information would you require in advance of the audit?
- What are the skills you would need on the audit?
- How would you plan the audit?
- Risk versus return and it’s impact on capital
- Types of risk within a treasury area: when are they addressed
  - Credit
  - Market
  - Operational
  - Liquidity
- Other Risks
- Identification analysis & control of risk
- An introduction to key modelling approaches:
  - VAR
  - Back testing
  - Stress Testing
  - Simulation
Case Study: What should be in the audit planning memorandum for the treasury audit?

Auditing Asset & Liability Management
- The role of ALM
- Relationship to risk management
- ALM minutes
- Centralised or distributed treasury operations
- The role of the Treasurer
- Reporting to ALCO
- Reporting from ALCO
Case Study: Develop an audit programme to address the audit of the ALCO

Auditing Bank Capital Management
- The role of ALCO in bank capital management
- The impact on banks of changing regulations
- Managing Cash & Working Capital
- Liquidity Risk Management
- Forecasting Cash Flows
- Financing with Debt versus equity
- Maturity Profiles
- Fixed versus floating
- The question of mismatches
- Hedging approached and cost
- The risks of capital management
- Controls over bank Capital management
Case study: Develop an audit programme to address bank capital management

Auditing the Dealing Room
- How are deals transacted
- The Greeks
- Valuation techniques
- Introduction to models
- The importance of software
- Transaction recording
- Ethics and policy
- Front end control systems
- Training and education
- The role of risk management
Case Study: Develop an audit programme to address controls in a dealing room environment

Auditing the Middle and Back Office
- The role of the Middle and Back Office
- The transaction cycle
- Reconciliations and settlement
- Documentation and contracting
- The role of ISDA
- Using and negotiating ISDA
- The role of the central counterparty
- Collateral management
- Valuation and processing
- Investigating issues
Case Study: Develop an audit programme to address middle and back office processing
Case Study: Develop an audit programme to address collateral management
Case Study: Develop an audit programme to address ISDA issues

Auditing Foreign Exchange and Foreign Exchange Risk Management
- Types of transaction
- Spot transactions
- Forward transactions
- Yield curves and valuation issues
- Translation exposure
- Currency options
- Hedging decisions
- The risk in foreign exchange risk management
- Controls over foreign risk management
Case Study: Develop an audit programme to address the management of foreign exchange risk
Case Study: Develop an audit programme to address the audit of foreign exchange transactions

Auditing Interest Rate Risk Management
- The impact of liquidity on interest rates
- Gap analysis and the maturity ladder
- Types and uses of the gap analysis
- Stress testing and the impact of rate shocks
- Simulation approaches
- Duration
- Convexity adjustments
- Repo – financing and liquidity operations
- The risk in modelling interest rate risk
- The controls over interest rate risk
Case study: Develop an audit programme to address the management of interest rate risk

Auditing the use of Money Market and Other Asset Classes
- The anticipated return
- Overnight cash management
- Use of the money markets
- Key asset classes
- Asset securitisation
- High yield bond markets
- Other relevant asset classes
- Acquisition due diligence
- Processing due diligence
- Suitability issues
Case Study: Develop an audit programme to address the use of money market and other asset classes

Auditing the use of Derivatives, Forward Transactions and Corporate Governance
- The role of the Board and senior management
- Knowledge and skills
- What is a derivative?
- The knowledge gap in audit
- Forwards and forward Rate Agreement (FRNs and FRAs)

Auditing the use of Swaps & Associated Products
- The role of swaps
- Why are they important?
- Interest rate & currency swaps
- Swaptions
- Analyzing cash flows
- Constructing the discount function
- Hedging with swaps
- Swaps and the capital markets
- Basic swaps
- Asset swaps
- How is the market likely to change?
Case Study: Develop audit programmes to address:
  - The use of swaps
  - Interest Rate Swaps
  - Currency Swaps
  - More complex transactions

Rules Regulations and Stress
- Sensitivity analysis, stress testing and scenario modelling
- What can go wrong in the practice
- The impact of Northern Rock on your audit approach
- The regulations of liquidity risk and treasury management
- The role of the central counterparty
- Counterparty credit risk
- The use of ratings
- Developing your own ratings
- Calculating CVA
- How will you judge what is material?
- Where will audit concentrate
Case study: Develop audit programmes to address the following:
  - The audit of counterparty credit risk
  - The audit of stress testing and scenario modelling
  - The audit of CVA calculations

Course review and closure