

# AUDITING BANK TREASURY AND THE ALCO

Consider techniques for managing risk while effectively managing funds

## DATES

### 4 Day Course

**14-17 OCTOBER**  
**LONDON**

### DIRECTOR DENNIS COX

*Experienced Financial Internal Auditor and former Director of Risk Management at HSBC & Prudential Portfolio Managers.*

### 3 WAYS TO REGISTER

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*Consolidated Discounts Ltd.*

## WHY ATTEND THIS COURSE?

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
- 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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## 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.

## INCLUDED IN THE FEE:

- Expert training in your topic area
- CPE Points and Certificate
- Lunch during Training Days
- Training Materials

Please note that all courses are taught in English and that a certain level of English is required to benefit from this training course.

For a full list of terms and conditions and our cancellation policy please visit our website at [www.misti.com](http://www.misti.com)

## WHO SHOULD ATTEND?

This course specifically designed for those who are required to conduct internal audit assignments within treasury functions in FI's



COURSE DIRECTOR:

## DENNIS COX

Dennis William Cox, BSc FCSI FCA is a leading financial services risk management and internal audit specialist. He has held senior management positions within the banking and accountancy profession as Director, Risk Management at HSBC Insurance Brokers Limited and Director, Risk Management, Prudential Portfolio Managers. Formerly he held a number of roles within the audit profession at HSBC Holdings PLC. He has significant expertise in total risk management, risk-based internal audit, treasury, credit, liquidity, operational and market risk.

Dennis specialises his advisory services and lectures on the modernisation of internal audit. He also addresses internal audit as a driver for organisational change in banking. He is a specialist in audit for credit, treasury, operations and the Basel Accord.

## METHODOLOGY

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

## COURSE INFO

- ADVANCED PREPARATION: **NONE**
- TRAINING TYPE: **GROUP-LIVE**
- LEARNING LEVEL: **INTERMEDIATE**
- FIELD OF STUDY: **AUDITING**
- CPES: **32**

## PRICE: GBP £2,695+VAT\*

\*Delegates may be able to claim back VAT. For more information please contact [misti@misti.com](mailto:misti@misti.com)

### Session 1:

#### *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 its 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?

### Session 2:

#### *Auditing Asset & Liability Management*

- The role of ALM
- Relationship to risk management
- The role of the ALCO
- Membership of the ALCO
- ALCO minutes
- Centralised or distributed treasury operations
- The role of the Treasurer
- Reporting to ALCO

#### **Case Study:**

Develop an audit programme to address the audit of the ALCO

### Session 3:

#### *Auditing Bank or Company 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

### Session 4:

#### *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

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2 delegates -  
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3 delegates -  
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4 delegates -  
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5 delegates -  
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### Session 5:

#### *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 Studies:**

- Develop an audit programme to address middle and back office processing
- Develop an audit programme to address collateral management
- Develop an audit programme to address ISDA issues

### Session 6:

#### *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 Studies:**

- Develop an audit programme to address the management of foreign exchange risk
- Develop an audit programme to address the audit of foreign exchange transactions

### Session 7:

#### *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

### Session 8:

#### *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

### Session 9:

#### *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)
- Traded financial futures and options
- The pricing, modelling and risks of derivative activities
- The regulatory model risk requirements
- The documentation to support derivatives activities
- Auditing in an ISDA environment
- The transaction cycle
- Confirmation and reconciliation
- The control over the use of derivatives
- Controls over trading activities
- Limits, controls and excesses

#### **Case Study:**

Develop audit programme to address the following

- The use of derivatives
- The use of models
- The audit of forward transactions
- The audit of futures transactions

## COURSE PROGRAMME

### Session 10:

#### *Auditing the use of Swaps & Associated Products*

- The role of swaps
- Why are they important?
- Interest rate & currency swaps
- Swaptions
- Analysing cash flows
- Constructing the discount function
- Hedging with swaps
- Swaps and the capital markets
- Basic 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

### Session 11:

#### *Rules Regulations and Stress*

- Sensitivity analysis, stress testing and scenario modelling
- BIS regulations
- 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
- 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

**END**



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