

Corporate Affairs Committee 27th September 2006

Statement of Accounts – 2005/06

EXECUTIVE MEMBER RESOURCES : Cllr N Walker
DIRECTOR OF RESOURCES: Paul Slocombe

PURPOSE OF THE REPORT

1. To seek members approval of the audited 2005/2006 Statement of Accounts.

BACKGROUND AND EXTERNAL CONSULTATION

2. Attached to this report are extracts from the audited Statement of Accounts providing details of the main accounting financial statements. A copy of the full statement has been made available to all members of the Corporate Affairs Committee. A copy of the full statement has been deposited within the Members Library. In addition a copy of the accounts will be made available on the Council's Intranet, once the document has been signed by the District Auditor.
3. The Statement of Accounts has had the following alterations made from the draft presented to members in June 2006, which are mainly presentational matters, which ensure complete compliance with revised Statement Of Recommended Practice (SORP) requirements and Best Value Accounting Code of Practice (BVACOP).

	Alteration	Reason
	Transfer amounts mis-classified as provisions to reserves.	Review of provisions to ensure compliance with FRS12.
	Capital commitments note changed to make it clear that costs shown are for the total cost of the project.	To ensure the explanation of the figures shown is correct.
	Entries for the Waste Disposal LATS scheme added.	Ensures compliance with SORP.
	Note on CADCAM amended in the Group Accounts Statement. CADCAM should be treated as an associate and not a joint venture.	Appropriate classification.

	The income and expenditure amounts were overstated for the Education service in the Consolidated Revenue Account	CRA required amendment to correctly identify costs within the definition of BVACOP.
	Note to CRA on Section 137 discretionary expenditure adjusted. There is now no limit per head of population on this type of expenditure.	Correct disclosure ensured.
	Exceptional item in the CRA for FRS17 pension adjustment curtailments should have been included in non-distributional costs.	Ensures compliance with SORP.
	Note on the Tees Community Equipment Service Pooled budget adjusted to identify the partner bodies and the gross income & expenditure of the pool.	Ensures compliance with SORP.
	Note 21 to the Consolidated Balance Sheet states that debtors and creditors had been restated. This was incorrect.	Correct disclosure ensured.

4. There are no major issues raised by the District Auditor and there was significant progress in the production of the 2005/2006 Statement of Accounts. The draft and final Statements have been produced within the timetable and the quality of the working papers has improved.
5. **Appendix A - Consolidated Revenue Account.** The statement provides a summary of revenue costs incurred, and overall funding received by the Council, split between the major Council services in accordance with the prescribed format.
6. **Appendix B - Consolidated Balance Sheet.** The statement details the overall position, in respect of, the value of assets owned by the council, the level of creditors (amounts owed by the Council), the level of debtors (amounts owed to the Council) and the level of provisions and balances maintained by the Council.
7. **Appendix C - Housing Revenue Account.** The Statement provides details of the major elements of Council Housing revenue expenditure including maintenance, administration, rent rebates and capital financing. The Statement also shows how these costs are met from rents, subsidies and other income.
8. **Appendix D – Statement of Internal Control.** The Statement of Internal Control reports on the key financial controls in operation within the Council.

OPTION APPRAISAL/RISK ASSESSMENT

9. Not applicable to this report.

FINANCIAL, LEGAL AND WARD IMPLICATIONS

10. There are no recommendations contained within the Audit report which require the amendment to the draft accounts of the Council.

RECOMMENDATIONS

11. It is recommended that:

Members approve the revised 2005/2006 Statement of Accounts.

REASONS

12. The recommendation is supported by the requirement to comply with the 2004 Accounts and Audit Regulations, which require the audited Statement of Accounts to be approved by the 30th September 2006.

BACKGROUND PAPERS

The following papers were used in the preparation of the report: -

- Draft Statement of Accounts 2005/2006
- Report to Corporate Affairs Committee 28th June 2006

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Consolidated Revenue Account

Year ended 31st March 2006

	Note	Exp £'000	Inc £'000	2005/6 Net £'000	2004/5 Net £'000
Central Services to the public	1	15,904	14,152	1,752	-202
Cultural, environmental and planning services		69,351	27,457	41,894	31,492
Education services		135,100	45,359	89,741	84,334
Highways, roads and transport services		17,058	7,335	9,723	11,013
Housing services		53,844	51,204	2,640	4,625
Social Services		86,948	42,791	44,157	39,459
Exceptional Item	1	0	0	0	-4,518
Court Costs		2,011	568	1,443	1,612
Corporate and democratic core	1,2	3,412	35	3,377	3,286
Non Distributed Costs	1	9,455	4305	5,150	5,406
Net cost of services		393,083	193,206	199,877	176,507
Miscellaneous costs/write offs		0	0	0	69
Parish council precepts		8	0	8	4
Surpluses/deficits on trading undertakings	3	18,757	19,173	-416	-443
Asset management revenue account	6	0	25,110	-25,110	-11,927
Contribution of housing cap. receipts to Govt.Pool		83	0	83	4,172
Losses on the repurchase of borrowing		3	26	-23	0
Interest and investment income		0	2,177	-2,177	-1,341
Pension Interest Cost		23,257	0	23,257	22,490
Expected Return on Pension Assets		0	18,779	-18,779	-17,396
Net operating expenditure		435,191	258,471	176,720	172,135
Transfer to HRA balances				-109	-1,511
Transfers to/from insurance reserve				-124	-125
Transfers from other earmarked reserves				4,723	197
Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts				-83	-4,172
Capital expenditure financed from revenue				1,256	1,177
Reconciling amount for provisions for loan repayment	10			-3,523	-2,212
Reconciling amount for the net change in the Pensions Liability				-4,508	-1,470
Amount to be met from government grants and local taxation				174,352	164,019

Consolidated Revenue Account *continued*

	2005/6	2004/5
	Net	Net
	£'000	£'000
Amount to be met from government grants and local taxation	174,352	164,019
General government grants	-91,203	-88,973
Non - domestic rates redistribution	-46,322	-37,401
Demand on the Collection Fund	-40,291	-38,106
Transfers (from)/to the Collection Fund in respect of surpluses/deficits	870	68
Net General Fund (surplus)/deficit	-2,594	-393
Balance on General Fund brought forward	-4,865	-4,472
Balance on General Fund carried forward	-7,459	-4,865
n.b. the general fund balances figure excludes schools balances. A summary of the schools balances position is shown below:-		
Balances attributable to schools budgets b/fwd	-4,727	-4,821
(Surplus)/Deficit in year	-158	94
Balances attributable to schools budgets c/fwd	-4,885	-4,727

Consolidated Balance Sheet as at 31st March 2006

	Notes	31st March 06 £'000	31st March 05 £'000
FIXED ASSETS	1,2,3		
Intangible Fixed Assets	4	0	0
Tangible Fixed Assets			
Operational Assets			
Other Land & Buildings		314,954	323,620
Vehicles / Plant & Equipment		3,720	3,487
Infrastructure Assets		59,573	53,755
Community Assets		8,239	3,217
Non Operational Assets			
Assets under construction		14,590	3,411
Other Non Operational Assets		39,492	36,388
Total Fixed Assets		440,568	423,878
Long-term Investments	5	1,356	1,467
Long-term Debtors	6	1,063	1,262
Total Long Term Assets		442,987	426,607
Current Assets			
Stock & Work In Progress	7	1,767	1,273
Debtors & Payment In Advance	8	53,798	57,330
Short-term Investments		36,200	33,600
Cash and Bank		119	121
Total Current Assets		93,884	92,324
Current Liabilities			
Short Term Loans	9	0	0
Creditors & Income In Advance	10	35,366	39,355
Bank Overdraft		3,161	7,901
Total Current Liabilities		38,527	47,256
Total Assets less Current Liabilities		498,344	471,675
Long Term Liabilities			
Long-term Borrowing	11	97,090	91,000
Provisions	12	4,552	5,700
Pensions Liability	20	144,362	155,203
Total Assets less Liabilities		252,340	219,772
Financed by:			
Fixed Asset Restatement Account	13	16,501	26,834
Capital Financing Account	14	201,958	195,730
Government Grants Deferred	15	127,280	113,579
Deferred Capital Receipts	16	75	75
Major Repairs Reserve - HRA		140	443
Usable Capital Receipts Reserve	17	14,333	6,528
Pensions Reserve	20	-144,362	-155,203
Earmarked Reserves	18	26,880	24,736
Balances - Housing Revenue Account		2,076	2,185
Balances - General Fund		7,459	4,865
Total Equity		252,340	219,772

Housing Revenue Account

The account demonstrates the cost of financing, managing and maintaining the Council's housing stock. The total cost is met by income from rents, charges and Government subsidies. The Local Government and Housing Act 1989 ring-fenced the HRA, preventing cross-subsidisation from the Council's General Fund.

Year ended 31st March 2006

Notes	2005/6	2004/5
	£'000	£'000
Income		
Dwelling Rents (Gross)	0	18,563
Non - Dwelling Rents (Gross)	14	574
Charges for Services and facilities	0	1,056
Contributions towards expenditure	0	11
H.R.A. Subsidy receivable (including MRA)	0	0
Reduced provision for bad or doubtful debts	7	40
Contribution from General Fund for amenities shared by the whole Community	0	57
	21	20,301
Expenditure		
Repairs and Maintenance	-26	5,384
Supervision and Management	-58	3,935
Rents, rates, taxes, + other charges	-1	238
Rent Rebates	23	117
Negative Subsidy	126	856
Increased provision for bad or doubtful debts	0	0
Cost of Capital Charge	0	5,580
Depreciation of assets	0	5,921
Amortisation of Deferred Charges	0	185,499
Provision - pension contribution deficit	0	3,400
Debt Management Expenses	0	0
	64	210,930
Net Cost of Service	43	190,629
Net HRA Income on the AMRA	0	-187,637
Amortised Premiums and Discounts	66	40
HRA Investment Income	0	-224
Net Operating Expenditure	109	2,808
Revenue Contributions to Capital Expenditure	0	674
HRA Contribution to MRP	0	0
Net Transfer to Major Repairs Reserve	0	-1,971
Deficit/(Surplus) for year	109	1,511
Balance Brought Forward	2,185	3,696
Balance Carried Forward as at 31st March 2006	2,076	2,185

STATEMENT OF INTERNAL CONTROL SCOPE OF RESPONSIBILITY

Middlesbrough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. Middlesbrough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency and effectiveness. In discharging this overall responsibility, Middlesbrough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council and Teesside Pension Fund functions and which includes arrangements for the management of risk.

THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control is based on an ongoing process designed to identify and prioritise the risk to the achievement of Middlesbrough Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place within Middlesbrough Council and Teesside Pension fund for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts.

THE INTERNAL CONTROL ENVIRONMENT

In January 2004 the members of Middlesbrough Council approved "The Code of Corporate Governance". This code sets out the Council's policy in relation to corporate governance - which is used to help the Council and Teesside Pension Fund direct and control its functions. These key elements of the control environment, which underpins the credibility and confidence in the Council and the Pension fund, include:

Regular reviews by the Council of progress against its corporate plans/ objectives:

- Annual Statement of Accounts;
- Middlesbrough Borough Council Corporate Strategic Plan (by 30 June annually);
- Summary Performance Plan (by 31 March annually);
- Community Strategy which is reviewed at least every 3 years, with a Delivery Plan reviewed annually;
- Comprehensive Performance Assessment (CPA) Improvement Plan.

Clear Policy and Decision Making:

The council has in place a clearly documented and understood management processes

for policy development, implementation and review and for decision making, monitoring and control, and reporting; and formal and procedural and financial regulations to govern the conduct of the authority's business. These processes are detailed in the following documents:

- Constitution
- Scheme of Delegation to Officers
- Financial Procedure Rules
- Independent Allowances & Remuneration Panel
- Scheme of Delegation to Individual members of the Executive
- Executive Members Performance Management Procedures
- Formal scrutiny process
- Independent Teesside Pension Fund panel

Ensuring Compliance with Council Decisions, Rules and Regulations:

Like all local authorities, Middlesbrough operates within a statutory framework which

governs the behaviour of elected members and officers, in addition it has established

a Standards Committee. The following officers also have a specific duty to ensure that the Council acts within the law and uses its resources wisely.

- Chief Executive (Head of Paid Service)
- Monitoring Officer
- Head of Legal services
- Director of Resources

Robust Risk Management Processes

The Council has continued to progress the development and embedding of risk management, both corporately, and across all Service areas during 2005/2006.

Major developments over recent years have included: -

- The adoption of a formal Risk Strategy, Chance or Choice.
- The inclusion of requirements in relation to Risk Management in the Council's Performance Management Minimum Standards.
- The inclusion of consideration of risk in all Service Plans.
- The use of a Strategic Risk Register for the Authority and all Services, reviewed and reported to CMT on a quarterly basis.
- Introduction of formal "Risk Events" at the planning stage of major projects, involving all interested staff and partner organisations.
- Amendment of the Council's scheme of delegation to include
 1. The role of "Risk Management Champion" in the portfolio of the Deputy Mayor.
 2. "Issues relating to Corporate Risk Management" in the responsibilities of the Executive.
- The adoption of the responsibility for Risk Management by the Chief Executive.
- The appointment of Risk Champions within each Service area, and the expansion of the 'Risk Forum' Group to include them.
- Detailed Risk Management training for Service Risk Champions, potentially leading to them being able to achieve an intermediate-level qualification in the subject.

- Regular meetings of a 'Risk Forum' Group co-ordinating and promoting Risk Management across the Authority.
- Formal Risk Awareness training for all Members.
- Risk awareness raising for all staff, including the use of articles in the internal Middlesbrough Matters newsletter.

Developments already implemented or planned for 2006/2007 include: -

- An intranet site providing access to risk management documents, information, and guidance.
- Continuing the programme of training for Service staff.
- Review of the Risk Management strategy
- Review of Business Continuity plans across the authority
- Risk Management Manual

Strong Financial Management

The system of internal financial control is based upon a framework of regular management

information, financial regulations, administrative procedures (including segregation

of duties), management supervision, and a structure of delegation and accountability.

Internal financial controls include:

- The establishment of key controls within the accounting systems of the Council;
- A robust system of budgetary control including formal quarterly and annual financial reports which indicate financial performance up to year end and include action plans for dealing with pressure areas;
- Setting targets to measure financial and other performance;
- The production of regular financial reports at various levels within the Council which indicate actual expenditure against budgets;
- A clear and concise capital appraisal process for prioritising and approving all capital projects;
- In partnership with IPF produced a financial management training course for all budget managers and senior staff. This was rolled out during the first quarter of 2005/2006 for existing staff. The course has been provided on a quarterly basis for all new starters and newly promoted staff. The course has been incorporated into the Councils corporate induction process;
- Clearly defined capital expenditure guidelines;
- Use of appropriate project management disciplines;
- Participation in the National Fraud Initiative and subsequent investigations;
- Membership of the North East Fraud Forum;
- Incremental implementation of the Verification Framework for the administration of Council Tax and Housing Benefit;
- A significant element of the Councils financial processes is delivered by HBS, the Councils Strategic Partner. The process and discipline of internal controls is also applied to the activities of HBS.
- The role out of a corporate procurement strategy to all services.

- Ongoing training for Council and HBS Service Middlesbrough financial and support staff on the Procurement / Debtors / Budget Management / Asset Management / Grant monitoring procedures. Extra resources have been provided to ensure the continuous provision of a range of SAP courses for all new starters and staff changing jobs;

The Internal Audit Function

The effectiveness of internal control is audited and assessed by the internal audit function under the direction of the Director of Resources and in accordance with appropriate codes of practice.

Internal Audit provides management with assistance and independent guidance on systems, processes and risks and through its work forms a view on the strength of the component controls and the overall control framework.

The Internal Audit function operates under the Local Government Accounts and Audit Regulations, which require the maintenance of an adequate and effective system of internal audit of accounting records and control systems, and full assistance from officers and members in the provision of documents, records, information and explanation to enable the proper fulfillment of those audit responsibilities. The work of the Section is guided by and reflects professional best practice, in particular the CIPFA Code of Practice on Local Government Internal Audit and locally by the policies, procedures, rules and regulations established by the Authority.

The internal audit function, which works closely with the external auditor, undertakes a planned programme approved by the Overview and Scrutiny Board covering all the Councils activities. The programme includes independent reviews of the systems of internal control and risk management.

The overall objective of Internal Audit is to provide an independent and objective appraisal function, for reviewing and reporting upon the overall system of internal control. This work encompasses both operational and developing systems. Through this responsibility Internal Audit:

- Facilitate good practice in managing risks;
- Contribute to ensuring sound resource management;
- Recommend improvements in control, performance and productivity;
- Provide reassurance and challenge to managers;
- Encourage development of consistent policies and high standards;
- Assist in the impartial investigation of irregularities and policy breaches;
- Support the achievement of statutory and best practice requirements.

The Director of Resources is the nominated s151 Officer and also has line management

responsibility for the Internal Audit Manager. The Internal Audit Manager has direct access to the Chief Executive and other Directors and has well established reporting lines to members. As part of the constitution, the Council has designated the Overview and Scrutiny Board as its audit Committee

Its terms of reference, which accord with best practice guidelines, are as follows:

- To review the adequacy of Council's internal control framework;
- To review the adequacy of plans, procedures and practices to ensure compliance with statutory and other guidance;
- To monitor the performance of the Council's internal audit function; and
- To consider the external audit plan.

The Internal Audit Manager reports audit findings to Heads of Service and action is agreed to address these findings as necessary. Each Head of Service is responsible for operating systems of internal control within their area of responsibility, which provide reasonable assurance of effective and efficient operations, reliable information and compliance with laws and regulations. A report on audit activity together with details of internal audit is made regularly to the Overview and Scrutiny Board.

Internal Audit has concluded, based on the findings of work undertaken that there are sound systems of internal financial control in place. A number of areas for improvement have been identified and will be implemented on an agreed and phased basis subject to the level of risk.

Monitoring and Reporting Management Performance

Performance management reporting has now become part of the regular quarterly monitoring process of the council. Services are required to report progress against national Key Performance Indicators as well as locally set improvement targets.

Improvement on Performance Management during 2005/2006 have included:

- The integrated budget and performance clinics have been used to monitor the achievement of savings identified in the Councils 2005/06 efficiency statement
- The use of the integrated performance clinics to ensure that risk management is clearly linked to the council's priorities
- The revision of the minimum standard for performance management to ensure that it meets changing requirements and also incorporates lessons learnt from the 2005 Corporate Assessment.

REVIEW OF EFFECTIVENESS

Middlesbrough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of Internal Audit and the Statutory officers within the authority who have a responsibility for the development and maintenance of the internal control environment, and also

by comments made by our external auditors and other review agencies and inspectorates. In determining the effectiveness of the system of internal control review activities have been undertaken by a number of parties. These include:

- The authority
- Statutory officers
- The Scrutiny panel process
- Internal Audit
- External audit
- Other inspection and review agents

For the year under consideration, the key internal assurance work has been provided through Internal Audit and this is reported earlier in the statement.

The following external bodies for: Education - Annual Performance Assessment (OFSTED & CSCI), Children's Service (CSCI Fostering inspection), Inspection of Children's Service by the Audit Commission, and Corporate (CPA) by the Audit Commission carried out reviews during 2005/2006. The Council will be carrying out the action plans resulting from the reviews over 2006/2007.

The Benefit Fraud Inspectorate made a series of recommendations in their CPA annual assessment of the benefit service during 2005/2006. The main concern centered around the Verification Framework and the fact that Middlesbrough Council are still not fully compliant with the three modules set down by Central Government. Two modules were undertaken by HBS on behalf of Middlesbrough Council during 2004/2005 and the remaining module (new claims) will be implemented during 2006/2007.

The following major reviews are due during 2006/007:

- Benefit Fraud Inspectorate
- DWP Annual Benefit Review Team
- Benefits ISO 9000/2000 Assessment
- Adult community mental health services (Healthcare Commission and the Commission for Social Care Inspection)
- Education - Annual Performance Assessment (OFSTED & CSCI)
- Children's Service (CSCI Fostering inspection),
- Children's Service (CSCI Adoption inspection),
- Community Protection Advice Centre – Legal Services Commission

Matters raised by our external auditors have been addressed as they have arisen during the course of the year. The advice will be reflected in the management letter, which will be issued during 2006/07.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Council, the Executive and the Overview and Scrutiny Board, and a plan to address weakness and ensure continuous improvement of the system is in place.

SIGNIFICANT INTERNAL CONTROL ISSUES

The Internal Control environment has highlighted, at the end of 2005/2006, a number of areas of concern requiring improvement and / or careful monitoring. CIPFA guidance on the definition of a “significant internal control issue” (in relation to the Accounts & Audit Regulations 2003) has been used to identify appropriate issues for inclusion within this statement

Areas requiring Improvement (2004/2005 Statement)	Action taken 2005/2006
Housing & Council Tax Benefit Control and checking procedures within Benefits section have been identified as an area of significant risk.	<ol style="list-style-type: none"> 1. Improved guidance and instructions were issued to staff to ensure a clear audit trail exists from receipt of an application to decision to award benefit. 2. New quality monitoring arrangements have been put in place by the Councils Strategic Partner and these are supported by the Councils client benefits unit
Cash Receipting & Income Reconciliation backlogs have compromised the controls on the collection and banking of income.	<ol style="list-style-type: none"> 1. The cash receipting/income suspense accounts have all been brought up to date 2. New arrangements for reconciliation monitoring have been put in place by the Councils Strategic Partner.
<p>Payroll</p> <p>The Internal audit report identified Issues around control processes applied to key documents and the appropriate type and level of checking</p>	<ol style="list-style-type: none"> 1. The Councils Strategic Partner has improved control over, and accessibility to, source documents. 2. A random sample of payroll documents will be checked by HBS to confirm that officers with appropriate authority certify them
<p>Procurement</p> <p>There is evidence of weaknesses in authorisation and approval procedures within the IT system</p>	<ol style="list-style-type: none"> 1. Improvements in the functionality of the SAP system have been made. 2. Additional instructions concerning authorising payroll documents have been issued to all staff.

The control issues identified by the District Audit reviews of the implementation of the Financial Information System (SAP) and the application of the Disability Discrimination Act 1995

Areas requiring Improvement (2004/2005 Statement)	Action taken 2005/2006
Over reliance on manual intervention by ICT for extracting feeder files prior to interface with SAP	<p>Detailed procedural notes have been prepared.</p> <p>Review of processes with the aim of automating all interfaces into SAP</p>
Excessive users with full access to application, in particular ‘Consultant’ access to SAP	A review of access for consultants has been undertaken and a control procedure put in place.
Lack of end to end source system to SAP reconciliation’s – possibly resulting from a lack of ownership	A major review has been started by the Councils Strategic Partner and is ongoing during 2006/2007 to map all processes and put in place robust end-to-end

	reconciliation's.
Excessive number of users with access to the journals process in SAP	A review of staff access has been undertaken and the numbers reduced.
Bank reconciliation deficiencies contributed to by an under-developed understanding of processes	Monthly Bank Reconciliation's have been completed and verified independently by the Deputy Director of Finance. In 2006/2007 the independent verification of the monthly Bank Reconciliation's will continue by the Deputy Director of Finance.
Progress on the implementation of DDA act requirements has been slow	A new post has been created to deal specifically with DDA and the allocation of additional funding.

The Council also identified the following control issues requiring attention during 2005/2006

Emerging Areas for Further Investigation	Action taken 2005/2006
There is insufficient capacity within the Internal Audit function and hence a risk that the audit plan will not be fulfilled.	Employment of agency staff over the year. Re-advertisement of vacant posts A review of the future provision of the audit function by an outside consultant.
The demand for In house project management skills is growing and the capacity within the authority is limited.	A tender exercise was undertaken to appoint an external trainer to set a minimum standard and improve. project management skills across the authority. The training will commence during June 2006/2007.

2005/2006 Areas requiring Improvements	Action Taken / Planned 2006/2007
<p>Regeneration Service – Housing Bureau</p> <p>The Internal audit report identified significant issues around control processes applied to training/trainers and the appropriate type and level of checking</p>	<ol style="list-style-type: none"> 1. The problems were on such a scale that the Housing Bureau was closed from the 1st April 2006 2. The service has made arrangements for all trainees to complete their training. 3. Discussions are ongoing with the relevant funding body about possible grant claw back.
<p>Home improvement Grants Processes and procedures within the Housing Improvement Grant Section have contributed to produce an environment where there are high risks of:</p> <ul style="list-style-type: none"> ▪ Fraud ▪ Grant payments exceeding the maximum amount; and ▪ Inability to demonstrate all building work undertaken was satisfactory 	<ol style="list-style-type: none"> 1. The service has appointed consultants to assist with the introduction of a more robust control environment. 2. Increased frequency of monitoring by senior managers
<p>Goods Receiving Control Account</p> <p>Control and reconciliation procedures on this important account have been identified as an area of significant weakness</p>	<ol style="list-style-type: none"> 1. New arrangements for regular reconciliation & monitoring are to be put in place by the Council's Strategic Partner. The Deputy Director of Finance will monitor the reconciliation's. 2. Improved guidance and instructions are to be issued to staff together with appropriate training to ensure orders and goods receipting are dealt with correctly.

Officer and Member Review

On the basis of the self-audit processes and effectiveness reviews carried out to date, we are satisfied that, except for the areas of concern listed above, the Council's corporate governance procedures, including the systems of internal control, are adequate and are operating effectively.

We are satisfied that the Council's management arrangements, supplemented by the continued officer and Member involvement in the corporate governance processes, will address the required improvement and continue to review their development and effectiveness on an ongoing basis.