

Presented pursuant to Housing Act 1988, C.50, sch 8, para 9(3)

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# Grants and Loans to the Housing Action Trusts Account 2006-2007

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## Management Commentary

### Scope of the Account

- 1 Under paragraph 9(1) of Schedule 8 to the Housing Act 1988 (the Act) the Secretary of State is required to prepare an account for each financial year showing;
  - a the sums paid by the Secretary of State to each Housing Action Trust under paragraph 3 of schedule 8 to the Act (grant-in-aid);
  - b the sums issued to and received by the Secretary of State under paragraphs 4(4) and 4(5) respectively of schedule 8 to the Act (loans from the National Loans Fund), and the disposal by her of such sums under paragraph 4(6); and
  - c the sums paid by the Secretary of State into the Consolidated Fund or the National Loans Fund under paragraph 7 of Schedule 8 to the Act (surplus funds).
- 2 This Account is prepared under paragraph 9(1) of Schedule 8 to the Act for the year 2006-2007. It has been prepared in the form and manner directed by the Treasury under paragraph 9(4) of Schedule 8 to the Act.
- 3 Housing Action Trust expenditure formed part of Request for Resources 1 in the 2006-2007 Communities and Local Government Resource Account.

### Statement of Accounting Officer's responsibilities

- 4 HM Treasury has appointed the Permanent Head of the Department as the Principal Accounting Officer with responsibility for preparing this Account and for transmitting it to the Comptroller and Auditor General. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which they are answerable, and for the keeping of proper records, are set out in the Accounting Officer's Memorandum issued by the Treasury and published in *Government Accounting*.

*Peter Housden*  
Accounting Officer  
Department for Communities and Local Government

4 July 2007

# Statement on Internal Control

## Introduction

This statement is given in respect of the Housing Act 1988 Housing Action Trusts Composite Account for the year ending 31 March 2007 and incorporates the transactions that pertain to that Account.

## Scope of responsibility

Housing Action Trusts (HATs) are Non-Departmental Public Bodies sponsored by the Department for Communities and Local Government (CLG). The HATs are paid grant-in-aid by the Department, and those payments are disclosed in the attached Account. I have been appointed by the Treasury as Accounting Officer for this account.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the Department for Communities and Local Government's policies, aims and objectives as set by the Department's Ministers and which, prior to the creation of the Department, supported the former Office of the Deputy Prime Minister (ODPM). I have a duty to safeguard the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.

Ministers set the vision and political direction of the Department's policies within which many calculated risks are taken. My senior managers and I ensure that Ministers are able to take informed decisions on the basis of policy options that have clear statements on implications attached to the various courses of action.

## 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. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Department'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 operated since the creation of the new Department for Communities and Local Government on 6 May 2006 and before that date, in ODPM. This statement accords with Treasury guidance.

## Capacity to handle risk – risk and control framework

Risk is identified, assessed, managed and reviewed within the Department to ensure the efficient, effective, and economical delivery of the objectives, targets and business.

During 2006-2007 risk processes and assurance were applied as follows

- During the year, Programme Boards reviewed strategic and cross-cutting risks and reported monthly to Ministers and the Board Executive;
- An Audit and Risk Committee, under independent chairmanship of a non executive director of the Board, reviewed the approach to risk management and corporate governance across the Department. The Committee now comprises the non-executive members; and
- Senior managers within the Department reported how they were managing risk through their Statements on Internal Control which were provided to me at the mid-year and at the end of the financial year.

Throughout the year, processes were in place to identify, assess and manage risk through various planning and progress monitoring processes: through project and programme management; through policy development and implementation; through audit and in the context of the Comprehensive Spending Review.

In 2007-2008 the system of internal control is being strengthened by establishing a stronger connection between Programme Boards' assessment of risks and the delivery of actions to mitigate those risks and between ministerial option appraisal and decision making, particularly on delivery issues. The Department is also undertaking more rigorous assessment of delivery chains and assurance mechanisms to enable Programme Boards to know if plans are on track in sufficient time to take additional actions where needed.

Making a difference on the ground requires the Department to manage a number of complex and extended delivery arrangements. Partnership working brings clear benefits, though there are risks, particularly around accountability and governance that need to be managed. We are working with the National Audit Office to ensure suitable assurance arrangements are in place.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control, including contingency planning arrangements, is informed by the work of the internal auditors and the managers within the Department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management report and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Mechanisms exist to ensure that the effectiveness of the system of internal control is regularly reviewed

- The Board that includes four Non-Executive Directors meets monthly to consider the plans and strategic direction of the Department, including strategic challenges and opportunities;
- Executive members of the Board meet as the Board Executive to co-ordinate the operations of the Department, oversee organisational development and offer advice to Ministers and the Board on overall strategy;
- The Audit and Risk Committee considers the adequacy of the internal control system and the risk management framework. In 2006-2007, the Audit and Risk Committee agreed the Departmental approach to risk, the internal audit programme and sought assurance from senior managers on key audit issues. I attend meetings of the Committee as Accounting Officer;
- The Investment Board ensures that new programmes and major projects receive early, rigorous and consistent scrutiny, that approved projects have corporate support and appropriate cross Department engagement and that the Department's appraisal systems are consistent and of high quality. The Investment Board is chaired by the Director General, Finance and Corporate Service Delivery and comprises a Non-Executive Board Director and senior officials of the Department and its arm's length bodies;
- The effectiveness of the Department's risk management, control and governance processes is kept under regular review by the Department's Internal Audit Service (IAS). Regular reports are made to the Audit and Risk Committee. IAS operates to Government Internal Audit Standards;
- My senior managers provide me with a statement every six months on the effectiveness of their internal control and risk management arrangements; and
- In 2007-2008 I have established, as sub committees of the Board, the Contingencies Planning Committee and the Delivery Sub Committee.

There are no significant internal control problems to report.

*Peter Housden*  
Accounting Officer  
Department for Communities and Local Government

4 July 2007

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements on page 7 under the Housing Act 1988. These financial statements have been prepared in the form and on the basis determined by Treasury.

## Respective responsibilities of the Secretary of State, Accounting Officer and Auditor

As described on page 2 the First Secretary of State is responsible for the preparation of the financial statements in accordance with the Housing Act 1988 and Treasury directions made thereunder. The Accounting Officer is responsible for ensuring the regularity of financial transactions and for the preparation of the Management Commentary.

My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report to you my opinion as to whether the financial statements properly present the receipts and payments and are properly prepared in accordance with the Housing Act 1988 and Treasury directions made thereunder, and whether in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them. I also report to you if, in my opinion, the Management Commentary is not consistent with the financial statements, if proper accounting records have not been kept, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 3 and 4 reflects compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls, or to form an opinion on the effectiveness of the Department's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures, and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error, and that, in all material respects, the receipts and payments have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion

- the financial statements properly present, in accordance with the Housing Act 1988 and directions made thereunder by HM Treasury, the receipts and payments for the year ended 31 March 2007 and the balances held at that date;
- the financial statements have been properly prepared in accordance with the Housing Act 1988 and directions made thereunder by HM Treasury; and
- information given in the Management Commentary is consistent with the financial statements.

### **Audit opinion on regularity**

In my opinion, in all material respects the receipts and payments have been applied to the purposes intended by Parliament and conform to the authorities which govern them.

### **Report**

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

5 July 2007

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## Accounts for the Year Ended 31 March 2007

- 1 Sums paid by the Secretary of State to Housing Action Trusts under paragraph 3 of schedule 8 to the Act.

The grant-in-aid payments made by the Secretary of State to each Housing Action Trust in the financial year 2006-2007, and for comparison the payments made in 2005-2006, are as follows

	<b>2006-2007</b>	2005-2006
	<b>£</b>	£
Liverpool Housing Action Trust	<b>0</b>	11,780,000
Stonebridge Housing Action Trust	<b>6,520,000</b>	5,850,000
	<b><u>6,520,000</u></b>	<u>17,630,000</u>

- 2 Loan issued by the Secretary of State under paragraph 4(3) of schedule 8 to the Act, and repayment to her of such loans under paragraph 4(5) of schedule 8 to the Act.
- 3 Sums issued to and received by the Secretary of State under paragraphs 4(4) and 4(5) respectively of schedule 8 to the Act, and the disposal by her of such sums under paragraph 4(6) of schedule 8 to the Act.
- 4 Sums paid by the Secretary of State into the consolidated fund or the national loans fund under paragraph 7 of schedule 8 to the Act.

There were no transactions under headings (2), (3) and (4) in the financial year 2006-07 (Nil in 2005-06).

- 5 Further information

In accordance with the Tower Hamlets Housing Action Trust (Dissolution) Order 2004 (SI 2004 No.586), Tower Hamlets Housing Action Trust was dissolved on 30 June 2004.

In accordance with the Castle Vale Housing Action Trust (Dissolution) Order 2005 (SI 2005 No.411), Castle Vale Housing Action Trust was dissolved on 30 June 2005.

In accordance with the Liverpool Housing Action Trust (Dissolution) Order 2005 (SI 2005 No.2518), Liverpool Housing Action Trust was dissolved on 31 December 2005.

The Stonebridge Housing Action Trust is due to be dissolved on 30 September 2007.

*Peter Housden*  
Accounting Officer  
Department for Communities and Local Government

4 July 2007

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