

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

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# Grants and Loans to the Housing Action Trusts Account 2003-2004

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# Housing Act 1988: Sums paid and received by the First Secretary of State in respect of Housing Action Trusts

## Foreword

### Scope of the Account

- 1 Under paragraph 9(1) of Schedule 8 to the Housing Act 1988 (the Act) the First Secretary of State is required to prepare an account for each financial year showing
  - a the sums paid by him 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 him under paragraphs 4(4) and 4(5) respectively of schedule 8 to the Act (loans from the National Loans Fund), and the disposal by him of such sums under paragraph 4(6); and
  - c the sums paid by him 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 2003-2004. 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 2003-2004 ODPM Resource Account.

### Statement of Accounting Officer's responsibilities

- 4 HM Treasury has appointed the Permanent Head of the Office 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'.

*Mavis McDonald*  
Accounting Officer  
Office of the Deputy Prime Minister

23 November 2004

# Statement on Internal Control

## Introduction

This statement is given in respect of the Housing Act 1988 Housing Action Trusts Composite Account and incorporates the transactions that pertain to this account.

## Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of ODPM's policies, aims and objectives as set by the Office's Ministers. 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.

In addition some of the responsibilities are delegated to additional Accounting Officers and the relationship with the Principal Accounting Officer is set out in written statements.

Ministers set the vision and political direction of the Office'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 Chief Executive of each agency and other bodies, falling within the ODPM departmental boundary, is responsible for risk management and the maintenance and operation of the system of internal control in that body. Each has signed a statement relating to that system which is reproduced in the accounts of the body.

To help me discharge my responsibilities as the Accounting Officer, senior managers within ODPM, including the Government Offices for the Regions, have specific delegated authority for the management and accountability of programme and administration resources within their area of responsibility. Identification, evaluation, and management of risks to the achievement of strategic objectives and key targets are essential elements of their responsibilities. As part of the Office assurance process senior managers provide me with an interim statement on the effectiveness of their internal controls on a quarterly or half-yearly basis. Similarly, Government Offices and the agencies provide interim Statements of Internal Control on a half-yearly basis.

## 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 Office'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 in ODPM for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and this statement complies with the Treasury guidance.

## Capacity to handle risk

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

During 2003-2004 risk processes and assurance continued to be applied through

- the Management Board, that in May 2003 set out the principles under which risk is managed and from June 2003 reviewed corporate risks, particularly of PSA targets and business critical projects, through the monthly Performance Monitoring Report (covering key targets, milestones, risks and spend against monthly budget profiles);
- senior managers within the Office Headquarters, Chief Executive of Agencies, and the Director General of the Regional Co-ordination Unit reporting how they were managing risk through their interim Statements on Internal Control which were provided on a quarterly or half-yearly basis; and
- an Audit and Risk Committee that reviewed the approach to risk management and corporate governance across the Office.

Throughout the year, processes were in place to identify, assess and manage risk through business and delivery planning (including for the Spending Review 2004), through project and programme management, through policy development and implementation and through audit. In common with other departments, the Office reported to the Prime Minister in June and December 2003 how it was managing risk.

Further work to embed risk management within planning, project and programme management and delivery is being driven by the Office's Centre of Excellence, which also encompasses the role of the Risk Improvement Manager. In 2004, this work will include addressing elements of the Treasury's risk framework - covering leadership, strategy and policies, people, partnerships, processes, outcomes and handling. A risk website was developed during 2003-2004 to host guidance and training material for staff and this became available in March 2004.

## The risk and control framework

Our aim is to create an environment of 'no surprises' in which we manage our threats and opportunities effectively. Risks identified through the Business Planning process, and other project and programme management systems and through implementation of internal and external auditors' recommendations form the basis of the Office risk register that feeds into the corporate management information system. This corporate and strategic risk register will be regularly reviewed and updated by the risk owners and by a risk network. Action plans are developed where the level of residual risk is deemed unacceptable.

## 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 is informed by the work of the internal auditors and the executive managers within the Office who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter 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 Committee (and Risk Committee, if appropriate) and a plan to address weaknesses and ensure continuous improvement of the system is in place.

There are no major or systematic cases of irregularity or abuse that would lead me to qualify this statement.

We are taking further action to create more professionalism in the monitoring, forecasting, and planning of resources. These include

- establishing an accounts production project team to manage the accounts preparation process; and
- producing dry run resource accounts to highlight any areas of concern prior to year-end and early completion of key balance sheet reconciliation at year-end.

Senior Managers have prepared an end of the year report on the stewardship of their resources during 2003-2004. On the basis of these reports and assessment made centrally, the Director of Finance has prepared a Memorandum that provided me with the necessary assurance on the effectiveness of the system of internal control that was in operation during 2003-2004. In addition the following were in place and functioning during 2003-2004

- a Management Board, that included two non executive directors, that met monthly to consider, amongst other issues, the plans and strategic direction of the Office, including strategic challenges and opportunities;
- financial performance against budgets and forecasts was reviewed by the Board on a monthly basis, and spending priorities were determined in the context of emerging pressures and new demands;
- an audit and risk committee made up of senior staff and chaired by an external member met four times in the year. The Committee reviewed the approach to risk management and corporate governance across the Office, agreed the Internal Audit work programme, and this statement on internal control. The NAO attend the Committee as observers;
- regular reports were made by internal audit, to standards defined in the Government Internal Audit Manual, which included the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Office's system of internal control; and
- delivery plans for Spending Review 2002 PSA targets were finalised with the Performance Management and Delivery Unit and the Treasury, and performance-monitoring arrangements were put in place.

### Significant internal control problems

There are no significant internal control problems to report.

*Mavis McDonald*  
Accounting Officer  
Office of the Deputy Prime Minister

23 November 2004

# 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 8 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 First 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 Foreword. 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 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 if, in my opinion, the Foreword is not consistent with the financial statements, if the Accounting Officer has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 3 to 5 reflects compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions in the financial statements. It also includes an assessment of the 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 error, or by fraud or other irregularity and that, 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.



## Opinion

In my opinion

- the account properly presents the receipts and payments of the First Secretary of State in respect of grants and loans to the Housing Action Trusts for the year ended 31 March 2004 and the balances held at that date and has been properly prepared in accordance with the Housing Act 1988 and the directions made thereunder by the Treasury; and
- 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 have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

14 March 2005

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## Housing Act 1988

Account prepared under paragraph 9(1) of schedule 8 to the Housing Act 1988 ('The Act') of sums paid and received by the First Secretary of State under paragraphs 3, 4 and 7 of that schedule in respect of Housing Action Trusts for the year ended 31 March 2004

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

The grant-in-aid payments made by the First Secretary of State to each Housing Action Trust in the financial year 2003-2004, and for comparison the payments made in 2002-2003, are as follows

	<b>2003-2004</b> <b>£000</b>	2002-2003 £000
Waltham Forest Housing Action Trust	<b>0</b>	1,000,000
Liverpool Housing Action Trust	<b>28,330,000</b>	30,400,000
Castle Vale Housing Action Trust	<b>20,000,000</b>	32,000,000
Tower Hamlets Housing Action Trust	<b>4,145,000</b>	17,000,000
Stonebridge Housing Action Trust	<b>16,950,000</b>	18,750,000
	<b><u>69,425,000</u></b>	<u>99,150,000</u>

- 2 Loan issued by the First Secretary of State under paragraphs 4(3) of schedule 8 to the Act, and repayment to him of such Loans under paragraph 4(5) of schedule 8 to the Act.

The following loan was made by the First Secretary of State in the financial year 2003-2004 (to be repaid in 2004-2005)

	<b>2003-2004</b> <b>£000</b>	2002-2003 £000
Tower Hamlets Housing Action Trust	<u>3,600,000</u>	<u>0</u>

- 3 Sums issued to and received by the First Secretary of State under paragraphs 4(4) and 4(5) respectively of schedule 8 to the Act, and the disposal by him of such sums under paragraph 4(6) of schedule 8 to the Act.
- 4 Sums paid by the First 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 (3) and (4) in the financial year 2003-2004.

- 5 Further information

In accordance with the Waltham Forest Housing Action Trust (Dissolution) Order 2002 (SI 2002 No. 86), Waltham Forest Housing Action Trust was dissolved on 30 April 2002. 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.

The loan recorded in paragraph 2 above was repaid to the First Secretary of State by the Tower Hamlets Housing Action Trust in 2004-2005.

Mavis McDonald  
Accounting Officer  
Office of the Deputy Prime Minister

23 November 2004

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