

DERBY HOMES BOARD
30 JULY 2009

ITEM A9

ANNUAL REPORT OF AUDIT COMMITTEE: INTERNAL CONTROLS

Report of the Director & Company Secretary

1. SUMMARY OF REPORT

To discharge the Committee's responsibility to report to the Board on the effectiveness of internal control systems during the year to 31 March 2009.

2. RECOMMENDATION

- 2.1 That the Board notes this report, and approves the statement on internal controls assurance within the Report of the Directors on the financial statements for the year to 31 March 2009.
- 2.2 Authorise the Chair of Derby Homes to sign the Control Self Certification and Internal Reporting statement. A copy of the wording is attached to the report in Appendix 1.

3. MATTER FOR CONSIDERATION

- 3.1 The Board has delegated to the Audit Committee the task of appraising internal control systems and providing an annual report to Board. This takes the form of a recommendation to adopt wording within the published financial statements under the heading 'Internal Controls Assurance'. The financial statements form a part of the agenda for the Board meeting considering this report, and therefore the text is not repeated here.
- 3.2 **Review and update on weaknesses identified in 2007/08 statement on control self certification and internal reporting**

An areas of weakness was identified for improvement as follows:

- The monitoring of operational risks by Derby Homes' Executive and Senior Management teams.

The operational risk register is delegated to Heads of Service who review and update the register on a quarterly basis. From February 2009 a Performance Officer attends the Heads of Service meeting and goes through the operational risks with the Heads of Service present. Executive and Senior Management team are currently receiving training on a new database which gives them desk-top access to the up to-date position on both the strategic and operational risks.

AC will consider a report in July 2009 on the Company's Risk Management Strategy and process for identifying, updating and managing the risk registers.

3.3 At its meeting on 6 July 2009, the Committee considered evidence on internal control systems comprising:

- 1 a report from the Chief Executive on behalf of the Senior Management Team
- 2 internal auditors' reports on specific areas, and an annual report
- 3 the external auditors' draft management letters and presentation, which addressed control issues among other things
- 4 the Committee also met in private session with the external auditors.

3.4 In light of this evidence and enquiries made of officers at the meeting, the Committee recommends the Board approve the statement 'Internal Controls Assurance' contained in the Report of the Directors at the front of the financial statements for 31 March 2009 elsewhere on this agenda.

The areas listed below have no implications directly arising from this report

- Consultation
- Financial and Business Plan
- Legal and Confidentiality
- Personnel
- Environmental
- Equalities Impact Assessment
- Health & Safety
- Risk

If Board members or others would like to discuss this report ahead of the meeting please contact the author, or the Chief Executive, phil.davies@derbyhomes.org - Tel 01332 711010

Author: Lorraine Watson, Director & Company Secretary, Telephone 01332 711014, Email Lorraine.watson@derbyhomes.org

Background Information: None.

Supporting Information: None.