



*Cairngorm National Park Authority
Financial Controls Self Assessment
Internal Audit 2006/07
February 2007
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Section 1 - Executive Summary

1.1 Introduction

Since our appointment as internal auditors to the Cairngorm National Park Authority (CNPA), we have undertaken a number of financial controls reviews covering such topics as the financial ledger, cash flow management and procurement. Over time, the organisation has further developed and embedded their financial procedures and control systems. As such it was determined, in conjunction with the Head of Corporate Services and the Audit Committee members, that the most effective use of internal audit resource for this financial year would be to develop a process of self assessment of the financial control environment.

1.2 Background

The self assessment document is in the form of a spreadsheet that details the key financial controls across each of the major financial control areas within CNPA. This was completed by senior finance personnel and reviewed by Internal Audit and the Head of Corporate Services.

The purpose of the assessment is two-fold. The initial purpose is to allow senior management and the Audit Committee to gain assurance that the key controls are in place and operating effectively through regular self assessment. The second purpose is to allow Internal Audit to focus its efforts in the correct areas and to cyclically test the key controls across all systems, rather than focussing on one system each year. This process also allows for regular updating of the audit plan based on the areas of higher risk or where there are specific concerns where the self assessment identifies that controls are not working effectively.

1.3 Conclusion

The results of the self assessment identified a generally adequate and effective control framework across the finance processes. The detailed results of this assessment are detailed within Section 2 of this report. The self assessment has identified that financial management personnel consider the control environment to be effective, with some minor exceptions requiring some improvement, across all areas of key financial control. The exceptions are detailed as follows:

- Amendments to the vendor master file are not subject to regular review, however this is compensated by activities in respect of financial management where new supplier payments are detected;
- Supplier statement reconciliations are not undertaken; this is for reasons of practicality as the nature of purchases means that very few statements are received;
- A controlled stationery register is not maintained as this is not deemed necessary for the size of the organisation; the cheque books are controlled by the administrative staff and held in locked cupboards;
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Section 1 - Executive Summary (continued)

1.3 Conclusion (continued)

The following table summarises the results of the self assessment in each financial control area:

Objectives	Overall Assessment	Response Section
Purchase Ordering	****	1
Accounts Payable	****	2
Accounts Receivable	****	3
Cash Management	****	4
Fixed Assets	****	5
Payroll	****	6
General Ledger	****	7
Finance IT Controls	***	8
Financial Reporting & Budgetary Control	****	9
Corporate Governance	****	10

Key: **** Arrangements accord with good practice and are operating satisfactorily (recommendations are in respect of minor matters).
 *** Adequate arrangements are in place, but certain matters noted as requiring improvement.
 ** Arrangements in place offer scope for improvement.
 * Inadequate level of control and unacceptable level of risk.

We have reached an overall assessment of four stars in each of the categories of control identified above based upon our prior audit work and reports, the extent and nature of the responses received from management in the self assessment process and the receipt of adequate explanations from management where controls were either not in place or were deemed as requiring improvement.

Section 2 – Self assessment return

Purchase Ordering

1. Purchase ordering		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION	
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE		
KEY CONTROLS										
A	All purchase requisitions and purchase orders are approved by an authorised signatory before orders are placed.	✓					✓			Expenditure authority limites set in Financial Procedures Manual and all expenditure requires Yellow Requisition Form or reference to file for regular payments e.g. utilities.
B	Order commitments can be tracked and quantified in the purchase order system on an ongoing basis.		✓				✓			Sage software does not include order tracking. All unmatched requisition forms held by accounts and matched with invoices when received. CNPA business demands do not require more complex system.
C	All purchase requisitions and purchase orders are approved in line with Financial Regulations in place within CNPA.	✓					✓			
D	All purchases are subject to tender in accordance with Financial Regulations for CNPA.	✓					✓			
E	All purchases outwith budget are subject to investigation and are authorised by senior management ratification	✓					✓			If budget is insufficient then additional budhet or virement needs to be approved by individual Heads of Group, Head of Corporate Services or Management Team.
F	Responsibility for the procurement of goods / services is vested in responsible officers.	✓					✓			
G	Goods received are matched with orders placed to ensure quantity and quality.			✓			✓			Orders not used but all receipts (either services or goods) are signed as accepted on the Requisition Form or invoice.
H	Goods are delivered to secure, designated receiving points.	✓					✓			Front Office.
I	The person responsible for ordering/receiving the goods and services does not also authorise the invoice.		✓				✓			In majority of cases the individual ordering the goods/services is the only one qualified to check receipt. Larger purchases countersigned by Head of Group. Different cheque signatory.
J	All payments give rise to an appropriate entry in the creditor payments system which can be traced if required to the relevant source document.	✓					✓			
K	Reports on orders raised/goods not received are produced.		✓				✓			File of outstanding requisition forms maintained which are matched with invoice when received. This is used to calculate outstanding accruals but no formal report produced.

Section 2 – Self assessment return (continued)

Accounts Payable

2. Accounts Payable KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
A	Amendments to the vendor masterfile are subject to review by an independent person / team member.		✓			✓			Nature of purchases and Finance Managers involvement with Operational Plan means that new supplier payments easily picked up and queried if necessary.
B	Amendments to the vendor masterfile are highlighted via a regular audit report which is authorised and retained by an appropriate independent member of the senior finance/ management team.		✓			✓			see above.
C	Access to the vendor masterfile is appropriately restricted to relevant personnel.	✓				✓			Limited access to SAGE and separate password protection.
D	All invoices received are matched to goods received documentation and purchase orders prior to payment.			✓		✓			see 1G. above
E	All invoices are signed as authorised by an approved signatory or checked against goods receipt details before being paid where control D is not possible (i.e. services etc.)	✓				✓			
F	All invoices are posted against clearly defined and well understood expense categories and budgets.	✓				✓			
G	Credits or refunds due from suppliers for all items of stock which are returned are monitored, chased and received on a timely basis.	✓				✓			Invoices not paid when awaiting outstanding credit.
H	Payment listings are reviewed by a senior member of the Finance team to ensure no changes from prepayment listing.	✓				✓			
I	Cheque payments are signed by senior personnel with full supporting documentation.	✓				✓			
J	Manual cheques have appropriate backup attached for signatory review prior to their being passed for signature	✓				✓			Remittance advices
K	Goods Received Not Invoiced (GRNI) and Goods Invoiced not Received (GINR) are identified and properly accounted for at each month end.			✓		✓			No formal report but file of unmatched Requisition Forms used to calculate accruals (see above).

Section 2 – Self assessment return (continued)

Accounts Payable (continued)

2. Accounts Payable		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION	
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE		
KEY CONTROLS										
L	Payment "runs" follow a structured and regular timetable (i.e. monthly / weekly)	✓				✓				Every Thursday although there are some instances where urgent payments need to be made on other days.
M	The Purchase Ledger is regularly reviewed and corrected for unusual items (debit balances, unusual amounts etc.).	✓				✓				Ledger balances reviewed monthly when performing Grant in Aid calculation.
N	Supplier Statement reconciliations are undertaken each month for at least the 10 largest suppliers and 5 others.		✓			✓				Nature of purchases means very few statements received. Regular payments made.
M	Procedures exist so that duplicate payments are avoided.	✓				✓				Payments against original, approved invoices.
N	All payments give rise to an appropriate entry in the creditor payments system which can be traced if required to the relevant source document.	✓				✓				

Section 2 – Self assessment return (continued)

Accounts Receivable

The majority of the following controls would only be put into operation if the organisation were raising more debtor invoices that would necessitate a robust control environment.

3. Accounts Receivable and Credit Control KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
A	Invoice requisitions are subject to structured authorisation procedures before invoices are raised.			✓		✓			
B	Invoices are checked for correct pricing before being sent to customers.			✓		✓			
C	All credit notes are approved by a senior member of the Finance team and must be supported by appropriate evidence before being finalising.			✓		✓			
D	Overdue receivable balances are pursued on a regular basis by a designated Credit Controller.			✓		✓			
E	Statements of balance are sent to customers each month.			✓		✓			
F	Incoming cheques are logged independently before being passed for cash posting.	✓				✓			Front Office open all mail.
G	All receipts are properly allocated against Sales Ledger balances and there is no unallocated cash balance greater than £5,000 or 2 months old.			✓		✓			
H	The level of the bad debt provision is reviewed each month and is assessed for adequacy.			✓		✓			
I	All bad debt write offs are authorised by a member of the senior Finance team.			✓		✓			
J	An accurate summary of the debtors ageing is prepared for management review each month.			✓		✓			
K	Segregation of duties between receipt of cash, allocation of cash, credit control and banking is in place	✓				✓			

Section 2 – Self assessment return (continued)

Accounts Receivable (continued)

3. Accounts Receivable and Credit Control KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION	
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE		
L	Incoming cheques are logged independently before being passed for cash posting.	✓					✓			Front Office open all mail.
M	All mail is opened by two individuals and all cheques and cash are logged and signed as such by individuals.		✓				✓			Amount of cheques in mail and staffing levels do not warrant this control.
N	All receipts are properly allocated against Sales Ledger balances and there is no unallocated cash balance greater than £5,000 or 2 months old.			✓			✓			
O	The level of the bad debt provision is reviewed each month and is assessed for adequacy.			✓			✓			
P	All bad debt write offs are authorised by a member of the senior Finance team.			✓			✓			
Q	An accurate summary of the debtors ageing is prepared for management review each month.			✓			✓			
R	Segregation of duties between receipt of cash, allocation of cash, credit control and banking is in place	✓					✓			

Section 2 – Self assessment return (continued)

Cash Management

4. Cash/ Treasury Management KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
A	Cash receipts and payments are updated in the cash book / general ledger on a daily basis.	✓				✓			No cash receipts, only cash payments are via petty cash.
B	All cheques are signed by a member of the senior Finance team or an appropriately delegated individual before payments are made.	✓				✓			Authorised cheque signatories listed in the Financial Procedures Manual.
C	All unused or spoiled cheques are destroyed or otherwise accounted for.	✓				✓			De-faced and stapled in cheque book.
D	All cheques received are banked intact on a regular basis.	✓				✓			
E	All bank accounts held are reconciled at least each month using the figures from the ledger and bank statement as at the same date.	✓				✓			File of bank reconciliations maintained.
F	All unreconciled differences are reviewed and no differences are greater than 2 months old.	✓				✓			
G	BACS or electronic disbursements to suppliers are approved by a member of the senior Finance team before being actioned.	✓				✓			Only use of BACS is for salary runs which are approved by Head of Corporate Services.
H	Access to petty cash is securely controlled.	✓				✓			Front Office
I	A cash book is kept detailing all cash in and out. Any individual depositing or withdrawing cash is given a sequentially numbered receipt.		✓			✓			Cash book maintained in SAGE.
J	Spot checks are carried out on the petty cash ensuring that the total of all cash and receipts agrees to the cash book and to the standard float total.	✓				✓			
K	Cash flow statements are reviewed in detail on a monthly basis by a member of the senior Finance team to assess cash requirements	✓				✓			Performed as part of Grant in Aid request programme (monthly).

Section 2 – Self assessment return (continued)

Cash Management (continued)

4. Cash/ Treasury Management KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
L	All amendments to existing bank mandates and signatory lists are counter signed by the Head of Corporate Services.	✓					✓		Two signatories required; Chief Executive and Head of Corporate Services in line with bank mandate limits.
M	A controlled stationery register is maintained through which the receipt and issue of all cheques, orders and other controlled items is recorded.		✓				✓		Cheque books maintained by accounts staff, locked cupboards.
N	Only nominated staff on the approved signatory listing are able to initiate the transmission of BACS schedules.	✓					✓		
O	There is adequate segregation of duties between those responsible for the receiving and initial recording of cash and cheques and those responsible for its coding, posting to general ledger accounts and debtor accounts.	✓					✓		see above.

Section 2 – Self assessment return (continued)

Fixed Assets

5. Fixed Assets/ Capital Planning KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
A	All fixed asset investments are subject to assessment / appraisal and a structured authorisation procedure.	✓					✓		All expenditure (not just on fixed assets) above £5,000 requires Expenditure Justification Form. Limits on capital acquisitions also contained in the Financial Memorandum.
B	A structured fixed asset register or listing is in place.	✓					✓		
C	The fixed asset register provides detail on the physical location and the individual responsible for each asset.	✓					✓		At present separate 'stock' register giving location.
D	All fixed asset purchases are noted on the standard expense justification form and approved in advance by the Head of Corporate Services.		✓				✓		Amount of fixed asset purchases does not warrant HoCS approval each time - approvals are given in line with CNPA financial scheme of delegation.
E	All fixed asset additions are booked to the Fixed Asset Register and appropriate Nominal Ledger account in the month acquired.	✓					✓		
F	The depreciable life and asset categorisation is in line with defined Group depreciation policy.	✓					✓		
G	An accurate monthly charge for depreciation is calculated each month and reflected in the Nominal Ledger.		✓				✓		Standard monthly depreciation charge applied and reconciled at year-end. The fixed asset turnover does not warrant exact monthly charge being calculated.
H	All asset disposals are approved in line with financial procedures of CNPA.	✓					✓		
I	Gains or losses on the sale of fixed assets are properly calculated and recorded in the Nominal Ledger in the month in which they occurred.	✓					✓		Negligible disposals given the Authority's newness.

Section 2 – Self assessment return (continued)

Payroll

6. Payroll KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
A	All new employees and changes to pay rates are subject to structured authorisation and approval procedures.	✓				✓			Notified by HR Manager and subsequently input to system by Corporate Services Officer. Final approval by Head of CS.
B	All changes to the payroll masterfile are approved by an senior member of the relevant department	✓				✓			Process for changes as in 6A.
C	A masterfile changes or edit report is reviewed each pay period by a senior / independent person to ensure no unauthorised or unsubstantiated changes to the payroll masterfile have taken place.	✓				✓			Reports reviewed and signed monthly by Head of CS.
D	Access to the payroll masterfile is appropriately restricted to relevant members of staff (and minimised where possible).	✓				✓			Access restricted to HR Manager and CS Officer.
E	Hours worked, holiday and absence are accurately captured each period and reviewed by relevant local supervisors / managers before being used as the basis of the payroll run.	✓				✓			Flexitime and absence reporting systems in place to capture hours worked and absences. Reconciled to HR database records.
F	A payroll exception or detail report is reviewed by an independent / supervisory team member prior to payroll processing to identify any unusual payroll amounts with respect to hours paid or payroll and tax amounts.	✓				✓			Monthly payroll reviewed and authorised by Head CS prior to payment being made. HR manager undertakes monthly sample to check for exceptions.
G	The total payroll payment print is reviewed and signed by a member of the senior finance team before processing.	✓				✓			As 6F
H	A reconciliation is undertaken to check that the payroll amount actually processed and paid through the bank is consistent with the amount on the payroll print.	✓				✓			Monthly reconciliation of payroll to records by Head of CS, plus bank reconciliation of payroll payments.
I	A reconciliation of the number of staff on the payroll to previous period, adjusted for starters and leavers, is completed monthly and any differences investigated.		✓			✓			Reconciliation based on starters / leavers / changes rather than to total staff numbers. Relatively small staffing total so changes identifiable.
J	Payroll journals are posted to the Nominal Ledger accurately and timeously each month and this verified by a member of the senior Finance team.	✓				✓			Journals input by CS Officer and results reviewed by Finance Manager in monthly management accounts monitoring.
K	Payroll and insurance taxes due to government agencies are paid timeously.	✓				✓			

Section 2 – Self assessment return (continued)

Payroll (continued)

6. Payroll KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
L	All expense claims are submitted on a standard form with receipts attached and are reviewed by a manager or direct senior to the person claiming the expenses before approval for payment.	✓			✓				Standard procedures in place, governed by Staff Handbook re allowances and financial regulations re authorisation.
M	There is positive reporting of all staff attendance on appropriately authorised documents.	✓			✓				Flexitime system reports all staff attendances and is signed off each period (4 weeks) by line manager. Reconciled by CS staff and to HR database records for separate sickness absence reports.
N	Where independent, the payroll and personnel systems should be reconciled regularly.	✓			✓				Monthly reconciliations undertaken.
O	Exception reports are produced showing, for example, negative net pay, gross greater than a given percentage of basic pay, percentage increase on the previous month etc. and are independently investigated and resolved.	✓				✓			Monthly sample to identify any exceptions and to check ongoing validity of more "regular" payments.

Section 2 – Self assessment return (continued)

General Ledger

7. General Ledger KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION	
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE		
A	All journals are reviewed and authorised by a member of the senior Finance team.	✓					✓			
B	All journal entries are sequentially filed and can be easily accessed for reference.	✓				✓				
C	All balance sheet accounts are reconciled on a monthly basis and detailed listings produced where applicable		✓				✓			
D	All balance sheet account reconciliations are reviewed by a member of the senior Finance team.			✓			✓			
E	All balance sheet provisions are reviewed for accuracy and updated appropriately each month.			✓			✓			Monthly provisions limited to material accruals, year end provisions subject to Auditors' review.
F	Appropriate segregation of duties is in place across key finance activities.	✓					✓			

Section 2 – Self assessment return (continued)

Finance IT Controls

8. Finance IT System controls KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION	
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE		
A	User access to the financial system is password controlled and passwords are changed at least every 30 days.	✓					✓			Password controls in place for network access, but SAGE system itself does not prompt/require changes to passwords.
B	Only approved financial personnel have access to the finance system and to the areas of the system which they require.	✓					✓			Access controls in place.
C	Procedures are in place to ensure structured back up of all key IT systems and databases.	✓					✓			Daily back-up procedures in place.
D	Access to the finance system is subject to regular user access audits by a person independent of the system administrator		✓					✓		Control not in place.

Section 2 – Self assessment return (continued)

Financial Reporting & Budgetary Control

9. Financial Reporting & Budgetary Control KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
A	Budgets are reviewed on an annual basis, using discussions with budget holders and prior year analytical review. Core and operational plan budget allocations are approved prior to the start of the financial period which they relate.	✓					✓		In practice, although annual budgets prepared before start of year they are approved by Finance Committee in May.
B	Budgets are established using the operational planning and management team approval process in accordance with the organisation's financial regulations.	✓					✓		
C	Detailed finance reports are made available to all members of the senior Finance team on a monthly basis	✓					✓		
D	Financial reports are supported by narratives explaining any significant variances or forecast outturn variances.	✓					✓		Monthly variance report given to Management Team and Finance Committee members.
E	Financial reports contain variances on individual budget categories.	✓					✓		
F	Financial reports contain forecast outturn positions for individual budget categories.		✓				✓		Summarised report gives forecast outturn but not at individual budget line level.
G	Forecast outturn is adjusted for all events or situations that will have a material effect on the budget.	✓					✓		Operational Plan adjusted monthly where necessary, Core costs mid-year and then as necessary.
H	Monthly financial performance review meetings are held with each budget holder to investigate all variances from budget		✓				✓		Formal meetings not held but variances investigated in preparing monthly reports (see 9D above). Quarterly meetings on Operational Plan expenditure.
I	Financial reports issued to the Board are reconciled to senior Finance team reports and the ledger.	✓					✓		Reports taken directly from ledger and no difference between reports issued to Board and Management Team.
J	Budget holders are aware of their responsibilities and budget management is part of their annual performance appraisal.	✓					✓		

Section 2 – Self assessment return (continued)

Corporate Governance

10. Corporate Governance KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
A	Detailed financial procedure are available for staff covering banking, payroll, cash handling, financial procedures etc..	✓				✓			Financial procedures issued and subject to regular review.
B	The Board has been established and meeting the criteria set out in the Financial Regulations.	✓			✓				
C	The committee structure within CNPA has been formally documented and received the approval of the Board.	✓			✓				In place and reviewed annually.
D	A Finance Committee independent of executive responsibility has been established and its remit is concurrent with the details set out in the Financial Regulations.	✓			✓				In place.
E	An Audit Committee has been established and its remit is concurrent with the details set out in the Financial Regulations.	✓			✓				In place
F	A Staffing and Recruitment Committee has been established and its remit is concurrent with the details set out in the Financial Regulations.	✓			✓				In place.
G	An Accountable Officer has been put in post with the responsibility for the financial administration of the authority's affairs.	✓			✓				In place.
H	A corporate plan has been overseen by the Finance Committee which has been approved by the Board and the Scottish Ministers.	✓			✓				Unsure of mention of Finance Committee in control. Corporate Plan approved by full Board and Ministers. Finance Committee responsible for oversight of financial management of annual Op. Plans.
I	A risk management strategy has been formally documented and approved by the Board.	✓				✓			Approved by Audit Committee on behalf of Board
J	A risk register has been established and all risk owner has formally taken responsibility for their risks.	✓				✓			In place. Reviewed quarterly by Management Team and at each Audit Committee meeting (typically 3 times per year).
K	A formal whistle blowing procedure has been documented and all staff have been made aware of its existence.	✓				✓			In place within staff handbook.

Section 2 – Self assessment return (continued)

Corporate Governance (continued)

10. Corporate Governance KEY CONTROLS		CONTROL IN PLACE?			YOUR EFFECTIVENESS ASSESSMENT				EXPLANATION
		YES	NO	N/A	OPTIMAL	ADEQUATE	NEEDS IMPROVING	INADEQUATE	
L	A register of members interest has been established and maintained by Corporate Services.	✓				✓			In place.
M	Separate registers of gifts and hospitality are established for both staff and board members	✓				✓			In place.
N	An operational plan has evolved from the Boards overall strategy direction.	✓			✓				Annual Op Plans agreed by Board and monitored in detail with quarterly delivery reports prepared on a risk management basis.
O	Policies and procedures have been approved and issued to staff with the aim of achieving value for money in all financial dealings on behave of the Authority.	✓				✓			One of 3 cross-cutting themes in the Corporate Plan, and supported by financial regulations.
P	A formal capitalisation limit has been approved by the Board and staff have been made aware of it.	✓				✓			In place.
Q	Formal delegated levels of authority have been established and made available to the relevant staff	✓				✓			In place.
R	An approved tendering procedure and appropriate documentation has been established	✓				✓			In place.

Section 3 - Statement of Responsibility

Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Deloitte & Touche LLP

February 2007

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Appendix A - Personnel Interviewed

- **David Cameron – Head of Corporate Services**
- **Denby Pettitt – Finance Manager**