

Statement of Board on Internal Financial Controls

The Board acknowledge their ultimate responsibility for ensuring that the Association has in place a system of controls that is appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the Association or for publication;
- the maintenance of proper accounting records; and
- the safeguarding of assets against unauthorised use or disposition.

It is the Board's responsibility to establish and maintain systems of internal financial control. Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss. Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the Association's assets;
- experienced and suitably qualified staff take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through relevant sub-committees comprising Board members and others;
- the Board reviews reports from management, from internal auditors, from the external auditors and from its own audit committee to provide reasonable assurance that the control procedures are in place and are being followed. This includes a general review of the major risks facing the Association. The Internal Auditors make regular reports to the Board;
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

The Board has reviewed the effectiveness of the system of internal financial control, with the assistance of the Association's internal auditors, in existence at the Association for the year ended 31 March 2002 and until 1 August 2002. No weaknesses were found in internal financial controls which resulted in material losses, contingencies, or uncertainties which require disclosure in the financial statements or in the Auditors' report on the financial statements.

In November 2001 The Housing Corporation issued its circular R2-25/01 Internal Controls Assurance. Full compliance is required for the Year Ended 31 March 2003. Whilst the County Palatine Group largely meets the requirement of R2-25/01, steps are well in hand to ensure full compliance will be demonstrated throughout the next Financial Year.

Employees

Details of employee numbers and costs are set out in note 9.

Auditors

KMPG were re-appointed as auditors on 4 September 2001. However, since that date their business was transferred to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 30 July 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

The report of the Board was approved on 30 July 2002 and signed on its behalf by

MRS H PICKING

SECRETARY