

Annual Audit Letter

Humberstone Probation Trust

Audit 2008/09

September 2009



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/ members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
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Key messages

This report summarises the findings from our 2008/09 audit. It includes messages arising from the audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Audit opinion and Financial Statements

- 1 I issued an unqualified audit opinion in the 22 June 2009. You produced a largely accurate set of draft accounts. I reported a small number of errors to those charged with governance. I also reported the weaknesses in your IT disaster recovery arrangements and the need to update some key policies.

Value for Money Conclusion

- 2 I also issued an unqualified value for money conclusion on the 22 June 2009 and identified some scope to improve your arrangements for benchmarking and comparing costs with other Probation Trusts and Boards. My conclusion recognised your positive response to funding uncertainties and the work done to restructure and develop a balanced medium term financial plan.
- 3 I reported in last years Annual Letter the need to re-focus the work of Internal Audit to provide clear assurance to the Trust Board on the effectiveness of your important financial systems. There continues to be uncertainty over the focus of the 2009/10 Internal Audit work. The Trust Board and Audit Committee will need to ensure that they have sufficient assurance from Internal Audit to support the judgements to be recorded in the Statement of Internal Control for 2009/10.

Table 1 Audit fees

	Plan 2008/09	Actual 2008/09
Financial statements and Annual Governance Statement	20,035	20,035
Value for Money	4,965	4,965
Total Audit Fees	25,000	25,000

Actions

- 4 Recommendations are shown within the body of this report and have been agreed with officers.

Independence

- 5 I can confirm that the audit has been carried out in accordance with the Audit Commission's policies on integrity, objectivity and independence.

Financial statements and annual governance statement

Your financial statements and annual statement on internal control are an important means by which you account for its stewardship of public funds.

Audit of the Financial Statements

- 6 No significant issues arose from our audit of your accounts. A small number of disclosure errors were corrected by officers in the final version of your accounts and the overall financial position was not affected.

Material weaknesses in internal control

- 7 I identified some weaknesses in the design or operation of internal controls which could lead to a material error in your accounting statements. Officers have now put arrangements in place to address the issues. The issues are recorded in Table 2.

Table 2 Weaknesses in internal control key areas of judgement and audit risk

Issue or risk	Finding
IT Disaster Recovery	Although tested in 2007/08 IT disaster recovery arrangements have not been tested during 2008/09, the proposed test was cancelled as consequence of the re-structuring exercise.
Human Resources Policies	Your policies are not fully consistent with the Losses and Special Payments rules set out in the finance manual in respect of Early Retirements. Although implied in your HR policies they should be more explicit about the relevant factors when considering any discretionary elements, such as added years enhancements. Your policies should also clarify the role of the Director of HR NOMS before implementation of the policies.

Value for money conclusion

I assessed whether the Trust put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

VFM Conclusion

8 I assessed your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. Table 3 below shows the areas I reviewed in forming my conclusion.

Table 3 VFM Criteria

KLOE	Met
Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
Is the organisation's financial reporting timely reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Yes
Does the organisation manage its risks and maintain a sound system of internal control?	Yes

9 I identified the following improvement area which I have raised with officers.

Table 4 VfM improvements areas

Issue or risk	Finding
Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	<p>While you have amended your officer structure to balance the 2009/10 budget and overall costs are average, there is scope to improve underlying arrangements by:</p> <ul style="list-style-type: none"> • extending benchmarking and including this as part of performance and financial monitoring; and • ensuring efficiency savings are monitored.

Value for money conclusion

- 10** For 2009/10 we will continue to review your arrangements. I noted that the Audit Committee was unable to agree the Internal Audit plan in June 2009 because there was uncertainty over the content of the work. To ensure that the Trust can demonstrate it has effective internal control arrangements in place it is important that a programme of internal audit is designed to provide the assurance needed by the Board.

Recommendation

- R1** The Audit Committee needs to agree an audit plan which ensures there is sufficient internal control assurance to support the judgements required in the Statement of Internal Control for 2009/10.

Closing remarks

- 11** I have discussed and agreed this letter with the Chief Executive and the Director of Corporate Services. I will present this letter at the Audit Committee on 29 September 2009 and will provide copies to board members.
- 12** Further detailed findings, conclusions and recommendations in the areas covered by our audit are included in the reports issued to you during the year.

Table 5

Report	Date issued
Audit Plan	May 2008
Annual Governance Report	June 2009
Annual audit letter	September 2009

- 13** You have taken a positive and constructive approach to our audit I wish to thank your officers for their support and co-operation during the audit.

Mark Kirkham
 District Auditor
 September 2009

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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