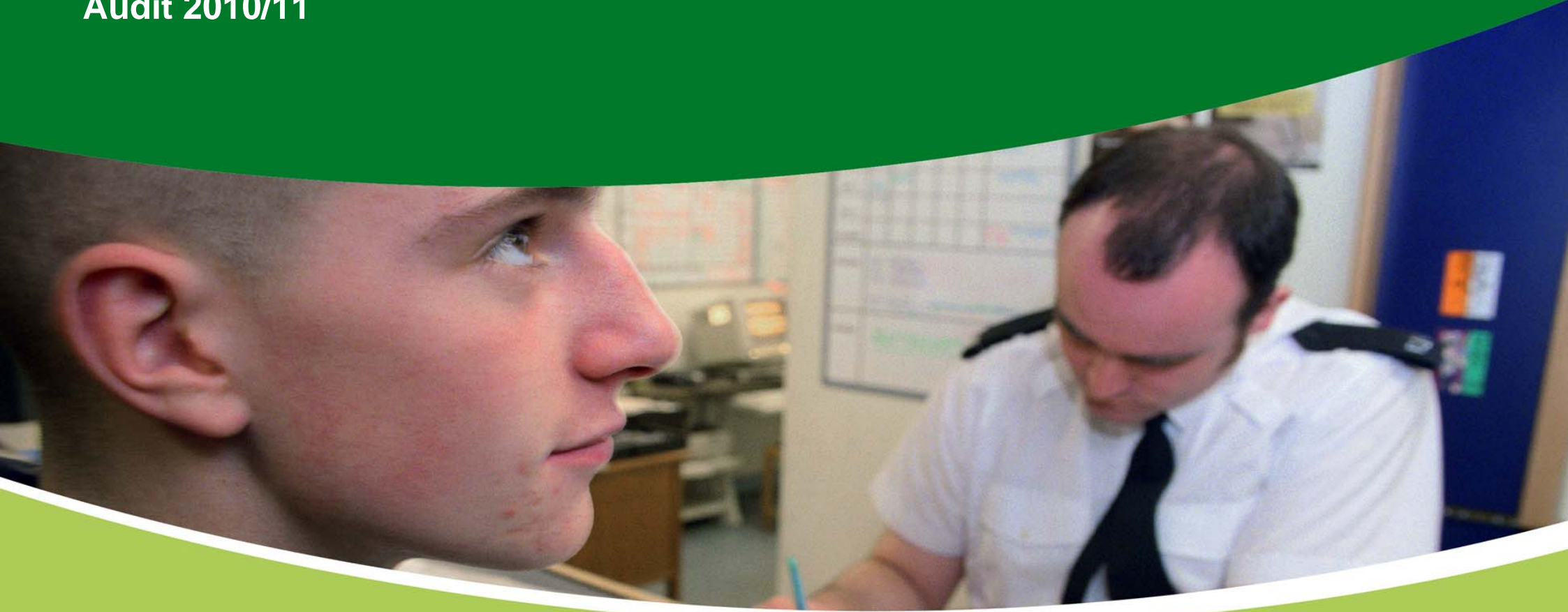


Annual Audit Letter

Avon and Somerset Probation Trust

Audit 2010/11



Contents

- Key messages.....3**
 - Audit opinion and financial statements.....3
 - Value for money3
- Current and future challenges4**
- Financial statements and annual governance statement.....5**
 - Overall conclusion from the audit.....5
 - Significant weaknesses in internal control.....5
- Value for money.....6**
- Closing remarks8**
- Appendix 1 – Audit fees.....9**
- Appendix 2 - Glossary.....10**

Traffic light explanation

Red  Amber  Green 

Key messages

This report summarises the findings from my 2010/11 audit. My audit comprises two elements:

- the audit of your financial statements; and
- my assessment of your arrangements to achieve value for money in your use of resources.

Key audit risk	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Value for money

I issued an unqualified conclusion on the Trust's arrangements for securing economy, efficiency effectiveness in the use of resources.

Audit opinion and financial statements

I issued an unqualified opinion on the financial statements and an unqualified opinion on the regularity assertion.

As a consequence of late changes made by the National Offender Management Service (NOMS) to the national template, and in common with a number of other probation trusts, the Trust needed to make a number of material changes to the draft financial statements.

Current and future challenges

The Trust is facing a number of challenges arising from the economic downturn and pressure on public sector financing. In particular there is continued downward pressure on annual budgets and on the budgets of organisation with which the Trust works in partnership (including local authorities, Home Office bodies and Ministry of Justice).

In response to these challenges the Trust continues to:

- regularly update its register of corporate risks and respond appropriately to these;
- consider alternative methods of service provision;
- review the effectiveness of the management team, staffing levels and accommodation needs; and.
- extend multi-agency working, including with the voluntary sector.

Financial statements and annual governance statement

The Trust's financial statements and annual governance statement are an important means by which it accounts for its stewardship of public funds.

Overall conclusion from the audit

I issued an unqualified opinion on the financial statements and an unqualified opinion on the regularity assertion.

Amendments to the draft financial statements

Because of late changes made by the National Offender Management Service (NOMS) to the national template, and in common with some other probation trusts, the Trust needed to make a number of material changes to the draft financial statements. The main changes related to accounting for pension and related disclosures.

Accounting policies and financial reporting

The Trust also made a few changes to other disclosure notes and the accompanying worksheets.

Trust Finance staff performed well in meeting the accounts deadlines under difficult circumstances.

Significant weaknesses in internal control

I did not identify any significant weaknesses in your internal control arrangements.

Value for money

I considered whether the Trust is managing and using its money, time and people to deliver value for money. I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

My overall conclusion is that the Trust has proper arrangements in place to secure, economy, efficiency and effectiveness in its use of resources. I therefore issued an unqualified conclusion on the Trust's arrangements for securing economy, efficiency effectiveness in its use of resources for 2010/11. My conclusion on each of the areas is set out below.

Value for money criteria and key messages

Criterion	Key messages
Managing finances	
1. Financial planning and financial health	The Trust has proper arrangements in place to plans its finances effectively to deliver its strategic priorities and secure sound financial health. There is collective responsibility for financial issues. Financial and corporate planning processes are integrated with risk management as well as with strategic planning for other resources, such as land and buildings and human resources. The Trust has a history of meeting its financial objectives. Shortfalls in resourcing and underlying cost pressures in the medium term are identified and are being addressed. Budgets were restructured in 2010/11 for the revised management structure.
2. Understanding costs and achieving efficiencies	The Trust has proper arrangements in place to ensure it has a sound understanding of its costs and performance and achieves efficiencies in its activities. The Board keep costs under review and regularly monitors performance against national indicator sets. The Trust, like others, has looked closely at its unit costs and has made changes.

Criterion	Key messages
<p>3. Financial reporting</p>	<p>Efficiency savings have been made, for example by rationalising the estate, to help ensure spending is kept within Ministry of Justice targets.</p> <p>The Trust has proper arrangements in place to ensure financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people. Budget monitoring includes detailed analysis of payroll information and staffing budgets including vacancies. Regular budget reports (verbal or written) are presented to the Board and Senior Management Team. I gave an unqualified opinion on the 2010/11 financial statements.</p>
<p>Governing the business</p>	
<p>4. Risk management and internal control</p>	<p>The Trust has proper arrangements in place. Risks are effectively managed and there is a sound system of internal control. The Trust improved its risk management and reporting processes during the year. There is a clear focus on current risks and the Audit and Risk Committee play a key role in reviewing and challenging risks and processes in place to mitigate these. Internal Audit is effective and the Trust has adequate processes in place in respond to the risk of fraud and corruption. The Statement on Internal Control is comprehensive.</p>
<p>Managing resources</p>	
<p>5. Workforce planning</p>	<p>The Trust has proper arrangements in place to plan, organise and develop its workforce effectively to support the achievement of its strategic priorities. A comprehensive workforce development plan is linked to strategic priorities. Sickness absence levels are better than the average of all probation trusts. Staff performance is monitored and robust action is taken on underperformance where appropriate.</p>

Closing remarks

I have discussed and agreed this letter with the Chief Executive and the Director of Finance. I will present this letter at the Audit Committee on 20 October 2011 and will provide copies to all Board members.

Further detailed findings, conclusions and recommendations in the areas covered by the audit have been included in the following report issued to the Trust during the year.

Report	Date issued
Annual Governance Report	June 2011

The Trust has taken a positive and constructive approach to our audit. I wish to thank the Trust staff for their support and co-operation during the audit.

M Robinson

District Auditor

August 2011

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Audit fee (scale fee)	£28,858	£28,858	NIL
Non-audit work	NIL	NIL	NIL
Total	£28,858	£28,858	NIL

Appendix 2 - Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which audited bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm the statements give a true and fair view.
- I find that some spending or income was irregular.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

© Audit Commission 2011.

Design and production by the Audit Commission Publishing Team.

Image copyright © Audit Commission.

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.



www.audit-commission.gov.uk