



West Mercia Probation Board

# ANNUAL REPORT

2005-06

# Contents

## **Introduction**

<b>Aims of the National Probation Service</b>	4
---	---

## **Part 1: Annual Report**

### *A. Operational Review*

Enablers	5
----------	---

Leadership	5
------------	---

Policy and Strategy	6
---------------------	---

People Management (to include compliance with new Health & Safety Legislation)	6
--	---

Partnerships and Resources	7
----------------------------	---

Processes	7
-----------	---

### *B. Results*

Achievements by Area in 2005-06	8
---------------------------------	---

Customer Results	8
------------------	---

People Results	8-9
----------------	-----

Society Results	9
-----------------	---

Key Performance Results	10-11
-------------------------	-------

<i>C. Workload and Activity Statistics</i>	12
--	----

<i>D. Names of Board Members &amp; Official Contact Address</i>	13
---	----

## **Part 2: Financial Review & Remuneration Report**

Statutory Background	14
Accounts	14
Principal Activities	14-15
Public Interest	15
Management	15
External Accountability	15-16
Appointments	17-18
<b>Statement of Accountable Officer's Responsibilities</b>	<b>19</b>
<b>Statement of Internal Control</b>	<b>19-22</b>
<b>Auditor's Report to the West Mercia Probation Board</b>	<b>23-25</b>
Respective Responsibilities of Accountable Officer and Auditor	
Basis of Opinion	
Opinion	
Certificate	
<b>Accounts Direction</b>	<b>26</b>
Appendix 1	27
Appendix 2	28
<b>Operating Cost Statement</b>	<b>29</b>
<b>Balance Sheet</b>	<b>30</b>
<b>Cash Flow Statement</b>	<b>31</b>
<b>Notes to the Accounts</b>	<b>32-45</b>

# Introduction

## **Aims of the National Probation Service**

- To protect the public;
- To reduce re-offending;
- To provide for the proper punishment of offenders;
- To ensure that offenders are aware of the effects of their crimes on their victims and on the public; and
- To rehabilitate offenders

# Part 1: Annual Report

## A. Operational Review

### Enablers

Enablers cover those aspects of the organisation which support the achievement of results. Whilst separated into five separate elements they are inevitably inter-connected in terms of organisation structure and impact.

### Introduction

The operation business for the year was built around the Improvement Priorities identified in the Business Plan for 2005-06. This plan was entitled 'Implement, Innovate and Integrate' reflecting the need to both respond to national initiatives and generate responses to crime that were relevant to our local situation. Between these two drivers, three major themes characterise the work of the year.

- **Introduction of the Criminal Justice Act 2003**  
This was led by Helen Allen, Assistant Chief Officer, leading to an increase in the use of community penalties delivered against the regional trend.
- **Development of a comprehensive persistent offender strategy**  
This was led by Tony Brewerton, Assistant Chief Officer, leading to the area wide 'ACCLAIM' project delivered in co-operation with our voluntary sector partners, Youth Support Services and the 'Growing out of Crime' project developed in partnership with West Mercia Care Trust.
- **Development of the Offender Management Model**  
This was led by Julie Masters and signed off by the Regional Offender Manager in advance of the required date of 1 April 2006.

### Leadership

In addition to the three overriding developmental areas outlined above, West Mercia Probation Area was also subject to an Effective Supervision Inspection in 2005 and HMIP recorded the following in relation to leadership, 'The Chief Officer provides visible leadership through his involvement in a wide array of strategic and operational committees and meetings. He is ably supported by the Board and senior management team, and the area is commended for its focus on improving performance. The process for development of the business plan was clear and had ensured there was understanding across the area of performance improvement priorities'.

In reporting the performance of the service it is also worth noting that at 73 the numeric score from the Inspection was the highest in the region.

## Policy and Strategy

There were four improvement priorities in relation to Policy and Strategy.

- **Approved Premises**

During the course of the year the Board adopted a policy in relation to the future development of its single approved premise, Braley House and ensured that this policy informed the NPD strategy regarding the future development of the approved estate.

- **Offender Management and Interventions Split**

The split between offender management and offender interventions, as reported above, was achieved ahead of schedule and SLAs in respect of both areas of activity were agreed with the Regional Offender Manager. Achieving the satisfaction of the Regional Offender Manager with these SLAs now forms the cornerstone of the Business Plan 2006-07.

- **Persistent and Other Priority Offenders**

Within the local Criminal Justice Board, the Chief Officer carries lead responsibility for persistent and other priority offenders. West Mercia Probation Area, in partnership with Youth Support Services, has developed 'ACCLAIM', a premium service which provides intensive supervision of persistent offenders. ACCLAIM has been developed as a successor programme to the Intensive Control and Change Programme which had previously been operated in partnership with Youth Support Services.

- **Mental Health**

Links have been made with Mental Health Trusts and a training plan for staff has been formulated in preparation for implementation in 2006-07.

## People Management

### Diversity in Recruitment

West Mercia Probation Area seconded Marie Barrow, Probation Officer for six months to concentrate full-time on forging links with minority communities and going into Universities and Colleges of Higher Education.

### Health and Safety

'Revitalising Health and Safety', the Health and Safety Strategy of the National Probation Service was launched in 2002 and was divided into three phases. Phase one containing ten objectives was completed in 2004. During 2005-06 Phase two was completed which involved the following:-

- Workplace inspection checklist
- Generic risk assessments for Probation work activities
- Generic risk assessments for community punishment / unpaid work projects
- Health and safety briefing in induction
- Occupational health provision
- Workstation assessments completed

All of the objectives have been met within the timescale set. Phase three also commenced this year and work will continue on this until December 2006.

## Partnerships and Resources

The area has continued to work on reducing its unit cost methodologies. This has been particularly important in relation to the Connect ESF project where these costs have to be agreed with the Government office and with the European Auditors. This has also been significant in developing a methodology for separating the costs of the service in relation to Offender Management and Offender Interventions particularly the allocation of shared overheads and indirect costs. Based on this work the area has achieved the highest spend of the 42 probation areas in relation to commissioning services from the private, voluntary and community sector.

The Board is aware that as a leading area in this part of the work we are always path finding and has commissioned a number of reports to further refine these methodologies during the course of the year.

## Processes

Improvement Priorities identified in the Business Plan in relation to processes include skills for life and PSR timeliness.

- **Skills for Life**

In relation to skills for life the success of learn direct, a distance learning approach which is particularly well suited to the rural nature of most of this area, has enabled us to exceed targets in relation to awards. It has also been another area in which we have been able to work with partner bodies and supplement what we are able to offer through buying in the best that is available externally.

- **PSR Timeliness**

Considerable work has been done on re-engineering the process by which PSRs are prepared and in particular ensuring a higher level of Fast Delivery Reports within the total. Whilst this has allowed us to achieve the national targets for timeliness we have continued to fall short of the locally adapted target of preparing reports within 15 days. Now that this has again become the national benchmark this priority has been rolled forward to 2006-07 for further high priority work.

- **MAPPA and Serious Further Offences**

In addition we have continued to prioritise our work with Multi Agency Public Protection Arrangements (MAPPA) where we have maintained 100% attendance at relevant meetings. We have also engaged diligently in the serious further offence process where our reports are consistently timely and in relation to which we have only one outstanding at the end of the year.

## B. Results

### Summary of Achievements 2005-06

- Positive Effective Supervision Inspection report with the best score in the region.
- Achieving the highest level of commissioning in the voluntary and community sector almost doubling the NPD's 5% target.
- Achieving sign-off of the offender management model at first attempt.
- Implementing the Criminal Justice Act with increased use of community penalties delivered against the regional trend.
- Launching the 'ACCLAIM' and 'Growing out of Crime' prolific and other priority offender programmes.
- Achieving all performance targets in relation to 'Connect', a regional short sentence prisoner resettlement programme.

### Customer Results

#### Work with Courts

West Mercia Probation Area has continued to prioritise work with courts as our customers. Our programme of liaison forums in all ten bench areas have continued to be well attended and achieved positive feedback as has the area wide forum steering group consisting of representatives from benches, legal advisors and probation staff. We also organise shadowing opportunities and a conference for newly appointed Magistrates.

#### Victim Contact

Although victim contact is no longer in the NPD weighted scorecard, West Mercia Probation Area has continued to prioritise this area of work and the level of achievement at the end of the year was 94%.

**PT2** Victim or victim's family to be contacted within National Standard of 8 weeks from sentence in 85% of cases involving serious sexual or other violent offender where offender is sentenced to 12 months or more.

*Target:* 85%

*Achieved:* 94%

#### Basic Skills

**PT9** Achieve area target for basic skills starts and awards contributing to national targets of 40,000 starts and 10,000 awards.

	<i>Target</i>	<i>Achieved</i>
Basic skills starts	724	540
Basic skills awards	181	213

### People Results

In addition to the performance targets West Mercia Probation Area held a highly successful staff conference at Ludlow Racecourse to which all employees were invited. The conference reflected the themes of the Business Plan. The main part of the morning was taken up with a presentation by Geese Theatre Company on the challenges in implementing the Criminal Justice Act. The main speaker in the afternoon, was author and TV Gardener, Monty Don, on the then

forthcoming 'Growing out of Crime' project, which commenced later in the summer. The conference finished with the annual awards ceremony and the High Sheriffs' awards went to; Individual award – Colin Horobin, Community Punishment Officer; Team award – Offender Substance Abuse Programme Team, Telford.

### **Race Equality**

**PT13** Achieve regionally set employment targets for minority ethnic staff.

- (i) Minority Ethnic representation in the area workforce – 6.68%
- (ii) Retention/resignation by grade and ethnic group – 5.71%
- (iii) Career progression by grade and ethnic group - 4.35%

**PT14** 95% of Race and Ethnic Monitoring data on staff and offenders is returned on time and using the correct (Census 2001) classifications.

*Target:* 95%

*Achieved:* 95%

### **Staff Sickness**

**PT15** Reduce sickness absence to an average of 9 days per staff year.

*Target:* 9 days

*Achieved:* 13.04 days

## **Society Results**

West Mercia Probation Area continues to recycle waste paper and has now set up a toner recycling scheme.

This year West Mercia Probation Area introduced the Community Payback scheme where members of the public can nominate projects for unpaid work in their community. Suggestions can be sent via the website. Several launch events were held throughout the area which attracted wide media coverage. One of the launch projects, Oldington & Foley Park Furniture Network in Kidderminster received a follow-up visit by the then Home Secretary, Charles Clarke, who was very impressed with the project.

Number of articles of media coverage for the year

*Target:* 12

*Achieved:* 39

Number of TV/radio interviews during the year

*Target:* 12

*Achieved:* 16

Raise contributions for charitable organisations during the year

*Target:* £2200

*Achieved:* £2102.43

## Key Performance Results

### Offenders who pose a high risk of harm

**PT1** Risk assessments, risk management plans and OASys sentence plans are completed on high risk offenders within 5 working days of the commencement of the order or release into the community.

*Target:* 90%

*Achieved:* 75%

### Prolific and other priority offenders

**PT3** Risk assessments and OASys sentence plans are completed on Prolific and Other Priority Offenders (PPOs) within 5 working days of the commencement of the order or release into the community.

*Target:* 90%

*Achieved:* 79%

### Intensive Control and Change Programme (ICCP)

**PT4** Completions of ICCP (where applicable) contributing to the national target of 600.

*Achieved:* 18

### Reports to Courts

**PT5** Court reports provided in accordance with the timescale required by the court.

*Target:* 90%

*Achieved:* 95%

### Enforcement

**PT6** Initiate breach proceedings in accordance with National Standards within 10 working days.

*Target:* 90%

*Achieved:* 93%

### Compliance

**PT7** Increase the proportion of orders or licences in which the offender complies.

*Target:* 85%

*Achieved:* 81%

**PM1** Appointments arranged in accordance with National Standards.

*Achieved:* 86%

**PM2** Appointments attended in accordance with National Standards.

*Achieved:* 59%

### Community Punishment/Unpaid work

**PT8** Achieve area ECP/unpaid work completions contributing to national target of 50,000.

*Target:* 905

*Achieved:* 855

**DTTOs/DRRs**

**PT11** Achieve area target for DTTO/DRR completions contributing to 4,000 nationally.

*Target:* 74

*Achieved:* 86

**PM4** Achieve area target for DTTO/DRR commencements contributing to 16,000 nationally.

*Target:* 290

*Achieved:* 246

**PM5** DTTO first appointments with (a) probation and (b) treatment provider arranged in accordance with National Standards

*Target:* 90% within 2 days

*Achieved:* No data collected

**Accredited Programmes**

**PT12** Achieve area target for completions of accredited programmes contributing to national target of 15,000.

*Target:* 272

*Achieved:* 298

## C. Workload and Activity Statistics

<b>Orders</b>	<b>Intake 2003/2004</b>	<b>Intake 2004/2005</b>	<b>Intake 2005/2006</b>
Life Sentence	6	10	7
Stat Post-release supervision	716	663	648
Custody (Pre-release)	1398	1376	1387
Community Order	-	-	1612
CPRO	327	367	179
Community Rehabilitation Order	1142	1108	514
Community Punishment Order	850	961	567
Drug Treatment and Testing Order	199	194	61
Suspended Sentence Order	-	-	205
<b>TOTAL</b>	<b>4644</b>	<b>4682</b>	<b>5180</b>

<b>Caseload</b>	<b>At 31 March 2004</b>	<b>At 31 March 2005</b>	<b>At 31 March 2006</b>
Life Sentence	120	126	128
Adult Custody (Pre and Post)	1072	1094	1197
Youth Custody (Pre and Post)	166	154	155
Community Order	-	-	1206
CPRO	312	357	214
Community Rehabilitation Order	1067	1151	658
Community Punishment Order	561	754	376
Drug Treatment and Testing Order	158	163	49
Suspended Sentence Order	-	-	162
<b>TOTAL</b>	<b>3460</b>	<b>3803</b>	<b>4145</b>

<b>Amount of PSRs written</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>2005/2006</b>
Crown Court	933	927	1097
Magistrates Court	2143	2055	1811
<b>TOTAL</b>	<b>3076</b>	<b>2982</b>	<b>2908</b>
<b>Amount of SSRs/FDRs written</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>2005/2006</b>
Crown Court	5	10	27
Magistrates Court	601	737	1024
<b>TOTAL</b>	<b>606</b>	<b>747</b>	<b>1051</b>

<b>Community Punishment Hours</b>	<b>2003/2004</b>	<b>2004/2005</b>	<b>2005/2006</b>
Amount of hours ordered	125,940	138,110	167,980
Amount of hours worked	71%	63% (138,110)	119,418
<b>Victims</b>			
Total number of victims contacted within 8 weeks of sentence	215	220	260

## **D. Names of Board Members & Official Contact Address**

Mrs Tricia Bradbury MBE, JP – Chair

Mr D D Ahir, JP

Mrs Libhin Bromley, JP

His Honour Judge J Cavell

Mr David Chantler

Mr John Eastwood

Ms Camella Flemming

Mr Martin Foley, JP

Mr John Hillier OBE

Mr Ken Hockenhull

Dr Haseena Lockhat

Mr David Price

Mrs Valerie Reynolds

Mr David Williams, MBE

Mr Michael Woolley, JP

West Mercia Probation Area

Head Office

Stourbank House

90 Mill Street

Kidderminster DY11 6XA

# Part 2: Financial Review & Remunerations Report

## **Statutory Background**

The National Probation Service for England and Wales was established by the Criminal Justice and Court Services Act 2000. Local probation boards were established in accordance with the police areas to implement the functions conferred on them through the Act. Each board is a corporate body, which came into existence on 1st April 2001.

## **Pension Liabilities**

Employees of the board are members of the Local Government Pension Scheme. Details of pension arrangements are set out in Note 3 to accounts.

## **Accounts**

Each board is required under Schedule 1, paragraph 16(1) of the Act to make a report to the Secretary of State on the performance of its functions during each financial year, and prepare in respect of each financial year a statement of accounts.

Under Schedule 1, paragraph 16(2) of the Act, the Secretary of State has given direction as to:

- The information to be given in the report and the form, in which it is to be given;
- The time by which the report is to be made, and
- The form and manner in which the report is to be published.

## **Principal Activities**

West Mercia Probation Board covers the West Mercia police area, as defined in Schedule 1 of the Police Act 1996, serving a population of over 1.1 million. During the year, the board employed some 370 staff that worked from 12 buildings and 1 hostel across the area.

Each board is to initially provide assistance to the courts in determining the appropriate sentences to pass, and making other decisions in respect of persons charged with or convicted of offences, and to assist in the supervision and rehabilitation of such persons.

The discharge of policies as established by the National Probation Directorate of the Home Office, are designed to ensure:

- The protection of the public;
- The reduction of re-offending;
- The proper punishment of offenders;
- Ensuring offenders' awareness of the effects of crime on the victims of crime and the public;
- The rehabilitation of offenders.

The Chief Officer (CO) is a statutory office holder appointed by the Secretary of State. The CO is the Accountable Officer for the board and is accountable to the Director General in his position as the Principal Accountable Officer (PAO) for the National Probation Directorate. The PAO, in turn, is accountable to the Accounting Officer of the Home Office, who is directly accountable to Parliament for safeguarding public funds.

### **Public Interest**

The board operates a diversity and equal opportunities policy which actively values diversity and provides for equality of opportunities regardless of gender, race, disability, sexuality, age or any other improper criterion.

The Board observes the principles of the 'Better Payment Practice' Code and aims to pay all approved invoices within 30 days. In 2005-06, 77.14% of undisputed invoices were paid within 30 days (*comparative: 69.8%*).

### **Management**

The operational management throughout the year was carried out by the management board, which consisted of the following members:

Mr David Chantler (Chief Officer), Mrs Patricia Bradbury MBE JP (Chair), and

Mr D D Ahir JP, Mrs Libhin Bromley JP, His Honour Judge J Cavell, Mr John Eastwood, Mrs Camella Flemming, Mr Martin Foley JP, Mr John Hillier OBE, Mr Ken Hockenhull, Dr Haseena Lockhat, Mr David Price, Mrs Valerie Reynolds, Mr David Williams MBE, Mr Michael Woolley JP (as members).

The Remuneration Report contains information about the management boards' remuneration.

### **Post Balance Sheet Events**

There were no material events after the balance sheet date.

### **External Accountability**

Under paragraphs 16-17 of Schedule 1 of the Criminal Justice and Court Services Act 2000, the board is required to send to the Secretary of State a report on the discharge of its functions during the year and its audited accounts. The

Annual Report and Accounts will comply with the specific accounts directions issued by the Secretary of State with the consent of HM Treasury.

The Audit Commission has appointed PricewaterhouseCoopers as the external auditor for the West Mercia Probation Board. Their Certificate and Report is included on pages 23 and 24.

*David Chantler*  
Chief Officer and Accountable Officer  
for the Board  
12 July 2006

*Mike Weaver*  
Treasurer to the Board  
12 July 2006

## Appointments

The Chair, the Chief Officer, and other members of the board were all appointed by the Secretary of State in line with the Commissioner for Public Appointments "Guidance on Appointments to Public Bodies". The emoluments of these persons are paid for through Home Office funds.

## Remuneration

Name	Role	2005-06		2004-05	
		Salary £000	Benefits in Kind (to nearest £100)	Salary £000	Benefits in Kind (to nearest £100)
David Chantler	Chief Officer	75-80	None	70-75	None
Patricia Bradbury	Chair	15-20	None	10-15	None
K Hockenhull	Board Member	0-5	None	0.5	None
J Hillier	Board Member	0-5	None	0-5	None
V Reynolds	Board Member	0-5	None	0-5	None
M Foley	Board Member	0-5	None	0-5	None
H Lockhat	Board Member	0-5	None	0-5	None
D D Ahir	Board Member	0-5	None	0-5	None
J Eastwood	Board Member	0-5	None	0-5	None
D Price	Board Member	0-5	None	0-5	None
M Woolley	Board Member	0-5	None	0-5	None
L Bromley	Board Member	0-5	None	0-5	None
C Flemming	Board Member	0-5	None	0-5	None
D Williams	Board Member	0-5	None	0-5	None

The Lord Chancellor appointed to the board from among judges of the Crown Court. The emoluments of this appointee are paid from the Lord Chancellor's Department.

## Pension Benefits

Name	Real increase in pension at age 65	Total accrued pension at aged 65 at 31 March 2006	CETV at 31 March 2006	CETV at 31 March 2005	Real increase in CETV	Employer Contribution to partnership pension account
	£000	£000	£000	£000	£000	(to nearest £100)
David Chantler	0-2.5	25-30	439	402	21	Nil

The remuneration for Board Members is set by the Secretary of State for the Home department, in the case of Chief Officers who are Crown employees, remuneration is determined by the Home Office through annual pay negotiation.

All Home Office appointed board members receive non pensionable remuneration of £15.40 per hour from 1 April 2004, with the exception of the Chief Officer. Boards at their discretion may pay a travelling allowance and any other relevant expenses incurred.

Board Members are initially appointed for a three year period, which may be extended for a further three years. The Secretary of State may give written notice of termination of Service to Board Members without a specified notice period. Board Members may at any time resign office, giving written notice to the Secretary of State. Chief Officers are appointed as Crown Servants on a permanent basis and are subject to three calendar months notice in writing either way.

The Pensions of Chief Officers are determined through the London Pension Fund Authority, which is part of the Local Government Pension Scheme.

Chief Officer's performance pay is determined by the Director of Probation against criteria set by the National Probation Directorate. There is no performance element for other Board members.

Up to 4% of Chief Officers pensionable pay is determined by performance conditions.

*David Chantler*  
Chief Officer and Accountable Officer for the Board

12 July 2006

## Statement of Accountable Officer's Responsibilities

Under the Schedule 1, paragraph 17(1) (b) of the Criminal Justice and Court Services Act 2000, the Secretary of State (with the consent of the Secretary of State) has directed the board to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accrual basis and must give a true and fair view of the state of affairs of the board and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accountable Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain material departures in the financial statements, and
- Prepare the financial statements on a going concern basis.

The Secretary of State has appointed the Chief Officer as the Accountable Officer of the board. The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding the board's assets, are set out in the Accountable Officer's Memorandum issued by the Secretary of State and published in Government Accounting produced by HM Treasury.

## Statement of Internal Control

### Scope and responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of Home Office priorities, aims and objectives, set by the departmental ministers, whilst safeguarding the public funds for which I am personally responsible, in accordance with the responsibilities assigned to me in the Financial Memorandum issued by the National Probation Directorate. This requires me to have in place a system of delegation of financial responsibility and appropriate mechanisms of financial control. These are subject to the scrutiny of the Audit Committee, and to the schedule of internal audits carried out by the Internal Auditor. As agreed with me as accountable officer. The internal auditor also carries out from time to time unscheduled audits at my request to check on the probity and robustness of our systems.

Whilst the Chief Officer remains the Accountable officer and reports as such to the National Director as Accounting Officer within the Home Office, I am also required to satisfy the Regional Offender Manager as to the use that has been made of the budget entrusted to me within the terms of the two Service Level Agreements that exist between us in respect of

1. Offender Management
2. Interventions

The SLAs also contain limitations within them as to my freedom to vire money between the two SLAs.

West Mercia Probation Area acts as the host area for Connect, a European Social Funded project to provide resettlement services to short sentence prisoners across the region. In this we are partners with the prison service in the region and with West Midlands, Warwickshire and Staffordshire Probation Areas. During the course of 2005-06 I stood down as lead Chief Officer for the project, a role now fulfilled by the C.O. of Staffordshire. Nonetheless I remain Accountable Officer for the project and the Board Accountant for West Mercia is Treasurer to the project. I deploy Internal Audit to report on this project in a similar fashion to the main service budget.

### The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate the risk of the failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

I believe that the control structure is effective and draw my confidence in this matter from a number of sources including the Internal Audit reports that I have received.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Probation Service, Probation Board and departmental policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. These processes have been in place for the year ended 31.3.06 and up to the date of approval of the annual report in accordance with Treasury guidance.

### **Capacity to handle risk**

As Chief Officer I have taken back responsibility for the identification and registration of strategic risks to the organisation. This has been done to reflect the split into Offender Management and Interventions, which means that only from my position can the overall picture be fully appreciated.

The Risk Register, which consists of the parts

1. whole organisation
2. Offender Management
3. Interventions

is reviewed on a monthly basis and new risks, movements in categorisation and de-registration of risks are reported to the board meeting.

We are currently running an induction programme for Area Managers in which the risk framework will form a part and the help and assistance of the Internal Auditor was sought in designing the current system which replaced the former single Risk Register from before the offender management split.

### **The risk and control framework**

Risks can be identified at any level in the organisation, but in practice are likely to be identified for inclusion in the Registers once they have reached ACO level, or occasionally by the Board. For inclusion in the register, the risk must threaten the business of the Board in a potentially comprehensive and catastrophic way. Otherwise it is a normal management challenge. All assessments of the likelihood and impact of the potential risk are made by the Chief Officer, working primarily from the report submitted by the risk identified. A strategy to reduce the risk over time is identified and is then reviewed at monthly intervals as described above.

Financial Reports, entitled 'Money Matters' are made to the Board at every alternate meeting. This provides the opportunity for the Board to exercise scrutiny over the financial affairs of the service, and they have from time to time expressed their concern to the National Director as to the level of resourcing made available locally.

The Board retains the services of a treasurer who is independent of me as Accountable Officer, and have the benefit of his advice.

External Audit services are provided through contracts awarded by the Audit Commission, with the current external auditor being PricewaterhouseCoopers.

In addition to the three-part Risk Register described we also maintain registers in respect of

1. Connect : Reflecting the size and regional significance of the project
2. IOSS : Reflecting the chronic nature of the obsolescence of our main management information system.

In this way the routines of Risk Management are embedded within the organisation.

### **Review of Effectiveness**

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the West Mercia Probation Area who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place. The Board has established the following processes:

- A Strategic Group, comprising the Chief Officer, Board Chair and senior officers which meets monthly to consider the plans and strategic direction of the Local Services.
- Regular reports from the Chair of the Audit Committee to the Board including, when appropriate, internal control.

- Regular reports by internal audit, to standards defined in the Government's Internal Audit Manual, which include Internal Audit's independent opinion of the adequacy and effectiveness of the Board's system of internal control, together with recommendations for improvement. These reports have included:

We operate an Organisational Risk Log, which is presented with a summary of monthly movements to each meeting of the Board, and which identifies the key risks with which we are engaged. The Audit Plan for the coming year is largely driven by this Log. Within the log there are two subsidiary Logs, one for each of our major strategic risks

- IOSS : we continue to have to use a very old legacy system and are concerned that the date for our transfer to the new national NOMIS system has slipped during the course of this year, despite successful lobbying earlier in the year to bring our implementation date forward.
- CONNECT; this major ESF FUNDED project has its own project board, but West Mercia remains the host Board and legal entity for the project, so its fortunes and those of the Board are closely linked.

As the key control document the risk log is being further developed to mirror the introduction of the Offender Management Model, see below, and in future will consist of an Offender Management Risk Log and an Interventions Risk Log feeding into a strategic whole organisation Risk Log.

Whilst only operative from 1.4.06, these developments have been planned during the year under review as an active commitment to keeping our Internal control mechanisms "fit for purpose"

### Key Risks

- Risk Management  
Basic Skills
- IOSS case management system

In 05/06 financial year Internal Audit conducted reviews of the following:-

### Financial Controls

- Creditors
- Budget control
- Payroll
- Main accounting
- VAT

### Externally Funded Reviews

- Connect – ESF Project

The most important significant issue to emerge was addressed at Audit Committee, in respect of the oversight of external contracts, and at the subsequent Board meeting in June 2005, it was agreed to establish a contracts committee, the analysis being that under existing arrangements there was danger that effectiveness of these external sources arrangements could fall between the Audit Committee and the Performance Committee.

In addition Internal Audit has continued to be aligned with the wider corporate risk management strategy of the Board, a number of audit days were identified to work with the Chief Officer and the relevant ACO on risk reduction activities.

West Mercia has continued to be a leading area in buying-in services from partners and contractors and has looked to internal audit for assurance that the developing systems put in place to regulate this aspect of the work have been adequate. In that context the re-instatement of audit days following the suggestion of cuts from the Unit last year has proved welcome, as we thought it would.

We continue to pursue our course of sourcing provision from external sources and developing entrepreneurial responses to service delivery challenges, e.g. involvement of the voluntary sector in the delivery of PPO programmes, the Connect project, etc., Whilst innovation and outsourcing may impact on the work of internal audit, the fundamental responsibility to manage these arrangement lies with the Service. Internal Audit is not a substitute for good management but our confidence in being pathfinders in adopting this approach has been underpinned in the past with by our confidence in the service we have received from internal audit and as Accountable Officer I express the view that it is to be hoped that despite their changes they will be able to deliver a similar high standard of service to us in future.

In addition to the reports of the Internal and external auditors I can also look to

1. The sign off of our plans for the introduction of the Offender Management Model

2. The outcomes of the HMIP Effective Supervision Inspection. (ESI)
3. The acceptance of our Race Equality Scheme as compliant
4. The balancing of the budget whilst achieving overall targets

1. Offender Management Model

The Regional Offender Manager has signed off, during the course of the year the work undertaken in West Mercia to introduce the Offender Management Model. This has involved splitting the service, both for service delivery purposes and for accounting purposes, into an Offender Management function and an Interventions function. This is an assurance that the organisation is fit for purpose in the new commissioning and contestability regime. The West Mercia scheme has successfully divided up the two functions, with central overheads remaining common, but with a methodology to apportion those costs between them.

2. Effective Supervision Inspection

This major inspection report is available in the public domain (HMIP web site), and for that reason I will not restate its findings here, other than to record that with a score of 73 we had the best outcome in the region, and received positive comments about value for money. There is a limited follow up report due for 2006 to re-visit some management of risk issues, although even here our results were positive; the issues for review were more concerned with clarity of process.

3. Race Equality Scheme

In line with 41 of the 42 areas, the initial draft of our Race Equality Scheme was deemed not to be compliant with the requirements under the Race Relations Amendment Act. However work during the course of the year has led to the final submission being acknowledged as compliant. The scheme is available on the West Mercia Probation web site.

4. Budget and Outcomes

An acid test of the effectiveness of Internal Control is that we can direct resources to meet the objectives of the service and the Home Office, in the final analysis that is why the Accountable officer is granted the public funds to run the service. The initial financial outturn for 2005-06 is that we will be very close (i.e. within a few thousand pounds), on a budget of over £13 million, to balancing the budget to zero. As there is no provision for carrying money forward, this represents an efficient use of those funds, as the initial performance outturn figures indicate that we will exceed the 90% achievement of targets that will bring the Achievers bonus in financial year 2006-07. This reflects particularly strong performance in Accredited Programmes delivery, DTTO/DRR completions and offender basic skills. All of these have been areas of weakness in the past, so their current strength indicates the Areas sensitivity to focused management initiatives; themselves a manifestation of tight internal control.

David Chantler

Chief Officer and Accountable Officer for the Board

Date: 7<sup>th</sup> July 2006

# Independent auditors' report to the Members of West Mercia Probation Board

## Opinion on the financial statements

We have audited the financial statements of West Mercia Probation Board for the year ended 31 March 2006 under the Audit Commission Act 1998. These comprise the Operating Cost Statement, the Balance Sheet, the Cash flow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to the West Mercia Probation Board in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### ***Respective responsibilities of the Board and auditors***

The Board's responsibilities for preparing the financial statements in accordance with the Criminal Justice and Court Services Act 2000 and directions made there under by the Secretary of State and for ensuring the regularity of financial transactions are set out in the Statement of Accountable Officer's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the Criminal Justice and Court Services Act 2000 and directions made there under by the Secretary of State. We also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

We review whether the Accountable Officer's statement on internal control reflects the Probation Board's compliance with HM Treasury's guidance on the Statement on Internal Control. We report if it does not meet the requirements specified by HM Treasury or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Accountable Officer's statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Probation Board's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Review and Remunerations Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### ***Basis of audit opinion***

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Probation Board's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with the Criminal Justice and Court Services Act 2000 and directions made there under by the Secretary of State, of the state of the Probation Board's affairs as at 31 March 2006 and of its net operating costs, recognised gains and losses and cash flows for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Criminal Justice and Court Services Act 2000 and directions made there under by the Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Signed:

PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

Date

## **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Accountable Officer's Responsibilities***

The Accountable Officer is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Probation Board's use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

### ***Auditor's Responsibilities***

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Probation Board for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for probation boards specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the probation board has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the probation board's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for probation boards specified by the Audit Commission and published in September 2005, in all significant respects, West Mercia Probation Board made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

### ***Certificate***

We certify that we have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Signed

PricewaterhouseCoopers LLP  
Donington Court  
Pegasus Business Park  
Castle Donington  
East Midlands  
DE74 2UZ

Date

## ACCOUNTS OF LOCAL PROBATION BOARDS IN ENGLAND AND WALES

### ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE IN ACCORDANCE WITH PARAGRAPHS 16(2) AND 17(1) OF SCHEDULE 1 TO THE CRIMINAL JUSTICE AND COURT SERVICES ACT 2000

1. This direction applies to the local Probation Boards listed in the attached Appendix 1.
2. The accounts shall be prepared so as:
  - To give a true and fair view of the state of affairs of the board as at the financial year-end and of the net resource outturn, recognised gains and losses and cash flows for the financial year and have been properly prepared in accordance with the Criminal Justice and Court Services Act 2000;
  - To provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.
3. Each board shall prepare a statement of accounts for the financial year ended 31 March 2006 and subsequent financial years, in compliance with the accounting principles and disclosure requirements of the Government Financial reporting Manual ("the FReM") issued by HM treasury and which is in force for the relevant financial year. In addition boards are required to comply with the National Probation Service Finance Manual which is in force for the relevant financial year. The statement of accounts shall be published within the report, which the board is required to make to the Secretary of State on the performance of its functions for the relevant financial year.
4. Compliance with the requirements of the FReM will in all but exceptional circumstances be necessary for the accounts to give a true and fair view. Any material departure from either the FReM or the NPS Finance manual should be discussed in the first instance with NOMS Finance.
5. A note setting out the relationship between the National Probation Service Finance Manual and the FReM is attached at Appendix 2.

Peter Brook



## Appendix 1

42 Probation Boards:

Avon & Somerset  
Bedfordshire  
Cambridgeshire  
Cheshire  
Cumbria  
Derbyshire  
Devon & Cornwall  
Dorset  
Durham  
Dyfed-Powys  
Essex  
Gloucestershire  
Greater Manchester  
Gwent  
Hampshire  
Hertfordshire  
Humberside  
Kent  
Lancashire  
Leicestershire & Rutland  
Lincolnshire  
London  
Merseyside  
Norfolk  
Northamptonshire  
Northumbria  
North Wales  
North Yorkshire  
Nottinghamshire  
South Wales  
South Yorkshire  
Staffordshire  
Suffolk  
Surrey  
Sussex  
Teesside  
Thames Valley  
Warwickshire  
West Mercia  
West Midlands  
West Yorkshire  
Wiltshire

**APPLICATION OF THE GOVERNMENT FINANCIAL REPORTING MANUAL (FReM) ISSUED BY HM TREASURY TO THE ACCOUNTS OF LOCAL PROBATION BOARDS**

The Home Office has issued advice on the preparation of local probation board accounts in a National Probation Service Finance Manual. This provides specific guidance on the application of the principles and disclosure requirements of the FReM to the circumstances of local Probation boards, including the following agreed interpretations:

1. There is no requirement to prepare Schedule 1.  
(Schedule 1 is a requirement specific to government departments and certain other public bodies funded by directly voted parliamentary grant).
2. Monies received as grant in aid should be treated as financing and not as income.  
(Most bodies covered by FReM do not receive grant in aid, and are financed by voted parliamentary grant. This clarifies the correct treatment for the Probation boards. Some public bodies account for grant in aid as income).
3. There is no requirement to prepare Schedule 5.  
(This expenditure will however be attributed to Departmental Aims and Objectives in the Home Office resource accounts).
4. The salary and pension entitlements of key managers should be appropriately disclosed.  
(Department Yellow reflects Cabinet Office guidance on the application of the Greenbury code to departmental resource accounts. The example disclosure for departments is not directly applicable to local probation boards. Nevertheless, boards should make disclosures, which meet the spirit of the Greenbury code.)
5. Items will be added to or deleted from the above list only with the agreement of HM Treasury.