



Northern Ireland Audit Office

Our purpose ...

Promoting better use of public money, through independent professional scrutiny, underpinned by our commitment to:

- Integrity
- Equality
- Openness
- Innovation

To make a difference for the people of Northern Ireland.

The Comptroller and Auditor General, Mr Kieran Donnelly, is an Officer of the Northern Ireland Assembly. He is the Head of the Northern Ireland Audit Office, which employs some 135 staff. He, and the Northern Ireland Audit Office, are totally independent of Government. He certifies the accounts of all Government Departments and a wide range of other public sector bodies; and he has statutory authority to report to the Northern Ireland Assembly on the economy, efficiency and effectiveness with which departments and other bodies have used their resources.

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NORTHERN IRELAND POLICING BOARD AUDIT OF 2013-2014 FINANCIAL STATEMENTS

REPORT TO THOSE CHARGED WITH GOVERNANCE

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Introduction

1. This report summarises the key matters arising from our audit of the 2013-14 financial statements for the benefit of those charged with governance. We would like to thank the Director of Support Services and his staff for their co-operation during the audit process.
2. The examination of the 2013-14 financial statements was undertaken in accordance with auditing standards issued by the Financial Reporting Council (FRC), taking into account Practice Note 10 (Revised); Audit of Financial statements in Public Sector Bodies in the United Kingdom. Our approach to the audit was planned and executed in accordance with the Audit Strategy presented to the Audit Committee in March 2014.
3. This report has been prepared for the sole use of Northern Ireland Policing Board although it will be shared with the sponsoring department. Our prior consent should be sought before any distribution (including web publication) either in full or in part is made. The Northern Ireland Audit Office (NIAO) does not accept responsibility to any third party for losses arising from reliance being placed on this report.
4. Certification has taken place and the Annual Report and Accounts were laid in the Assembly prior to the summer recess. The Northern Ireland Policing Board has provided us with a copy of the final printer's proof together with the soft copy file to be placed on the Northern Ireland Policing Board website for our consideration. Responsibility for thoroughly proofing these documents however remains with Northern Ireland Policing Board.

Actions for those charged with governance

5. Those charged with governance are invited to review the findings set out in this report, including the letter of representation, audit certificate and C&AG's report included in Annex A, Annex B and Annex D respectively.
6. At the Board's Audit and Risk Committee held on 6 June 2014, those charged with governance considered whether they should recommend to the Accounting Officer that the unadjusted misstatement set out in Section 3 was corrected within the final Annual Report and Accounts. At this Audit and Risk Committee NIAO confirmed it did not propose to qualify the audit opinion on the truth and fairness of the financial statements if this misstatement remained unadjusted. It was agreed by the Audit and Risk Committee that this misstatement would not need to be adjusted.

Status of audit

7. Our audit work is complete and the accounts were certified by the C&AG on 2 July 2014.

Overall conclusion and opinion

8. The Comptroller and Auditor General (C&AG) has reported his opinion to the Assembly in the format set out in Annex B – Audit Certificate. The C&AG's certificate includes an opinion as to the truth and fairness of the financial statements, and that the expenditure and income have been applied to the purposes intended by the Assembly and that the transactions conform to the authorities which govern them ('regularity'). The C&AG's certificate also includes an opinion on the part of the Remuneration Report to be audited has been properly prepared and that certain information given in the Annual Report is consistent with the financial statements.
9. The C&AG has certified the 2013-14 financial statements with an unqualified audit opinion, without modification. The C&AG has produced a Report on Police and Community Safety Partnerships (PCSP) funding to accompany his audit opinion and we have attached a copy at Annex D.

Audit judgements

10. No significant audit judgements were made in reaching our audit opinion.

Audit findings

11. In Section 2 we outline the quality, effectiveness and transparency of Northern Ireland Policing Board's financial reporting and its accounting policy selection, and our audit findings including any issues identified relating to regularity and the internal control environment.

Executive Summary

12. No significant issues were noted regarding the quality, effectiveness and transparency of the financial reporting and accounting during the year.
13. The accounting policies disclosed are considered to be appropriate for Northern Ireland Policing Board's circumstances and comply with the relevant accounting standards.
14. No significant issues were identified in respect of regularity.
15. No significant internal control weaknesses were identified during the course of the audit, although some improvements are outlined in Section 2.
16. Further issues of interest are set out in the Other Matters of Governance Interest section.

Identified misstatements

17. In the course of the audit a misstatement was identified which has been adjusted in the financial statements, as detailed in Identified Misstatements in Section 3. The net effect of this adjustment on the Statement of Comprehensive Net Expenditure (SoCNE) and Statement of Financial Position (SoFP) was £41k.

Section 1 Audit Risks

Significant risks

- 1.1. In our Audit Strategy issued in March 2014, our assessment of Northern Ireland Policing Board's operations and control environment identified a number of significant risks. A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgement, requires special audit consideration.
- 1.2 The table below describes how we addressed these matters through our audit process.

Significant risks of material misstatement

Risk 1: Management override of controls
Under ISA 240, there is a presumed significant risk of material misstatement owing to fraud arising from management override of controls. This is because of the unique position management are in to be able to perpetrate a misappropriation of assets or fraudulent financial reporting.
Audit Response
We have tested the design and implementation of management's controls to address this risk, including the segregation of duties at NIPB as well as the preparation of monthly management accounts, which are reviewed by Board members. Our substantive testing focused on testing journal entries made during the year as well as reviewing management estimates and provisions for indicators of management bias. We have also made enquiries of management regarding the knowledge of any actual or suspected fraud.
Outcome
All testing proved satisfactory.

Risk 2: Expenditure cut-off/completeness of accruals
Expenditure cut-off is an area that is open to manipulation at the year end. Due to pressures of meeting budgetary targets, accruals may be over- or under-stated by advancing or delaying recognition. This gives rise to a significant risk of material misstatement, which we have pinpointed specifically to the year end accrual for PCSPs (Police and Community Safety Partnerships).
Audit Response
We carried out testing on the design and implementation of management's controls around the recording of the year end PCSP accrual. We also substantively tested the year end accrual by agreeing a statistical sample of year end accrued PCSP claims to supporting documentation and trace to post year end payment. In addition, we carried out extended testing on post year end payments in order to search for unrecorded liabilities.
Outcome
All testing proved satisfactory.

Section 1

Audit Risks

Risk 3: Grant expenditure - PCSPs
Grant spend on PCSP projects is a material area of expenditure in the financial statements, and there is a risk that the funding administered to local councils for PCSP projects may not be used as intended and may not meet the terms and conditions of the grant.
Audit Response
We have performed substantive audit testing around the PCSP expenditure for the year. This testing included a statistical sample of Councils receiving PCSP funding during the year. We have also reviewed the outcome of internal audit and management reviews of Councils that have been undertaken during the year.
Outcome
All testing proved satisfactory. Nevertheless the C&AG has produced a report on PCSP funding to accompany his audit opinion and we have attached a copy at Annex D.

Section 2

Audit Findings

Financial Reporting and Accounting Policies

- 2.1 The Annual Report and Accounts are required to comply with the Government Financial Reporting Manual (FReM) in accordance with the Accounts Direction issued by the Department of Justice (DOJ).
- 2.2 In this section we draw to your attention our review of qualitative aspects of the accounting practices and financial reporting. This includes any significant changes or issues in respect of the accounting policies; estimates; judgements and the adequacy of disclosures affected by unusual or non-recurring transactions recognised during the period. We also review the overall balance and clarity of information contained in the Annual Report.
- 2.3 From the audit work completed no issues have been noted regarding the quality, effectiveness and transparency of financial reporting.

Review of information in the Annual Report

- 2.4 We review information in the Annual Report only to the extent that we confirm it is consistent with the financial statements and our understanding of the business. Except as noted in the audit opinion, the Annual Report is not subject to our audit opinion.
- 2.5 The Annual Report was considered to be consistent with our understanding of the business, and was in line with the other information provided in the financial statements.

Regularity, propriety and losses

- 2.6 There were no significant regularity, propriety and losses issues identified during the audit.

Internal Control

- 2.7 We have reviewed the Governance Statement and in our opinion, it fairly reflects our understanding of the state of internal control systems within the entity during the year and the changes made to the Governance Statement during the course of the audit.

Remuneration Report

- 2.8 We have reviewed the Remuneration Report and in our opinion it has been properly prepared in accordance with DOJ directions issued under the Police (Northern Ireland) Act 2000 as amended by the Police (Northern Ireland) Act 2003 and Northern Ireland Act 1998 (Devolution of Police and Justice Functions) Order 2010 and in accordance with FD (DFP) 06/14.

Observations & Recommendations

- 2.9 This section outlines the findings arising from our audit, as well as management's response and target date for implementation to these recommendations.
- 2.10 We have included the significant, important and best practice findings arising from our audit which are defined as:
- Priority 1 – significant issues for the attention of senior management which may have the potential to result in material weakness in internal control.
 - Priority 2 – important issues to be addressed by management in their areas of responsibility.
 - Priority 3 – issues of a more minor nature which represent best practice.
- Other issues of a more minor nature have been sent to the Director of Support Services.
- 2.11 As outlined in our Audit Strategy our procedures included a review of the internal controls and accounting systems and procedures only to the extent considered necessary for the effective performance of the audit. Audit findings and observations therefore should not be regarded as representing a comprehensive statement of all the weaknesses which exist, or all improvements which could be made to the systems and procedures operated.

Section 2 Audit Findings

Index of recommendations

Issues raised at Final Audit

No.	Description	Priority	Page
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Issues raised during Final Audit

1. Calculation of accrued holiday pay

Observation
During our testing of the year end employee benefits accrual we identified an error of £41k. This was discussed with management, who indicated that the error arose as a result of human error in the calculation at year end.
Implication
The result of the error was that accruals were overstated by £41k.
Priority Rating
3
Recommendation
We recommend that in future the accrual be reviewed by someone independent of the preparer of the calculation to evaluate the accuracy and reasonableness of the calculation.
Management Response
Accepted. This calculation was independently checked however the formula causing the error has now been amended.
Target for Implementation
June 2014

- 2.12 In accordance with International Standards on Auditing we have to consider significant weaknesses identified in our prior year audit. We have therefore reviewed management's implementation of Priority 1 recommendations made in our prior year Report to those charged with Governance. Our findings are set out in Annex C – Implementation of Prior Year Recommendations. The Audit Committee should continue to track progress on all recommendations, including Priority 2 and Priority 3 points.

Section 3

Identified Misstatements

- 3.1 This section contains details of adjustments made to the financial statements during the course of the audit, as well as unadjusted misstatements which are not considered material in the context of the financial statements as a whole.
- 3.2 We do not consider that the adjusted or unadjusted misstatements indicate a significant weakness in accounting or control which needs to be reflected in the Governance Statement.

Significant adjustments made to the financial statements

- 3.3 As a result of our audit, adjustments were proposed to the first draft financial statements presented for audit. The adjustments are shown below. The presentation of this information enables those charged with governance to assess the extent to which the draft financial statements presented for audit have been subject to change as a result of the audit process.
- 3.4 The audit adjustments made to the initial draft financial statements presented for audit are noted in the table below. The net effect of the adjustments on the SoCNE was to decrease net expenditure by £41k and to increase net assets by the SoFP by £41k.

Audit adjustments

Reason adjustment is required	Proposed by	Account area	SoCNE		SoFP	
			Debit	Credit	Debit	Credit
			£'000	£'000	£'000	£'000
Over-accrual of employee benefits at year end	Audit			£41k	£41k	
Overall Total			£nil	£41k	£41k	£nil
Net Effect			£nil	£41k	£41k	£nil

Unadjusted misstatements or uncertainties arising from the audit

- 3.5 We are obliged to bring to your attention the misstatements found during the course of the audit that have not been corrected, unless they are 'clearly trivial', which we have identified as below £3,500. There are no unadjusted misstatements above the 'clearly trivial' threshold.

Section 4

Other Matters of Governance Interest

- 4.1 International Standard on Auditing 260 requires us to communicate with those charged with governance any other audit matters of governance interest. These include matters which have come to our attention which may present future risks, enhance overall governance or where those charged with governance might wish to seek assurance on controls and processes.

Fraud and Regularity

- 4.2 We are required by Auditing Standards to report to you if we identify a fraud or obtain information that indicates that a fraud may exist. Management have disclosed to us two instances of fraud during the year. Neither of these have an impact on the financial statements.
- 4.3 In addition, we are not aware of material weaknesses in the design or implementation of internal controls to prevent and detect fraud.
- 4.4 In the course of our audit we have not identified any suspected or non-compliance with the laws and regulations.

Going concern

- 4.5 In the course of our audit, we have not identified any material uncertainties relating to events and conditions that may cast doubt on the entity's ability to continue as a going concern.

Management of information and personal data

- 4.6 DFP issued guidance in 2008 regarding the management of information and personal data, and government entities were required to review their compliance arrangements and to disclose any specific data incidents. Those charged with governance should ensure they have made sufficient enquiries of management to form a view on Northern Ireland Policing Board's progress in implementing DFP recommendations, and that the disclosures in the Governance Statement reflect this. Additionally those charged with governance should seek assurance on any data related incidents which may require disclosure. We are unaware of any data handling incidents during the year. Confirmation of this is sought within the letter of representation (Annex A).

Statement on personal data

- 4.7 During the course of our audit we have access to personal data to support our audit testing. We have established processes to hold this data securely within encrypted files and to destroy it where relevant at the conclusion of our audit. We can confirm that we have discharged those responsibilities communicated to you in accordance with the requirements of the Data Protection Act 1998.

Disagreements with management

- 4.8 There are no audit disagreements with management, about matters that individually or in aggregate could be significant to the financial statements to report.

Co-operation with other auditors

Internal Audit

- 4.9 We reviewed Internal Audit reports for the period where they covered areas of joint interest. We have not placed direct reliance on the work undertaken by Internal Audit during the year.

Independence, integrity & objectivity of auditors

- 4.10 The NIAO's policy to ensure independence, integrity and objectivity of our auditors was set out in our Audit Strategy. Overall, the threat to the audit arising from issues affecting our independence, integrity and objectivity is low, and the safeguards in place ensure that the likelihood of any impact is low.
- 4.11 We have complied with FRC Ethical Standards and, in our professional judgement, we are independent and our objectivity is not compromised. There are no relationships between NIAO and Northern Ireland Policing Board that we consider to bear on our objectivity and independence.

Section 4

Other Matters of Governance Interest

Other matters of interest

4.12 We are not aware of other issues to be raised.

Complaints procedure

4.13 NIAO seeks to ensure that, when carrying out its audit work, it complies with the principles developed by the Public Audit Forum in its paper “What Public Sector Bodies can expect from their Auditors”.

NIAO also wishes to gauge public sector bodies’ perceptions of its audit processes in order to promote continuous improvement. In particular, it undertakes to act quickly on any complaint and ensure that the underlying causes of problems are addressed to prevent them recurring. In the first instance, complaints can be addressed to the member of the Directorate responsible for the audit within which the concern has been raised.

Failing resolution of the problem to the satisfaction of the complainant, the Accounting Officer of the audited body can then write directly to the Comptroller and Auditor General. He will ensure that a further review of the case will be undertaken.

[Client Letterhead]

The Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT 7 1EU

LETTER OF REPRESENTATION: NORTHERN IRELAND POLICING BOARD 2013-14

I acknowledge as Chief Executive of the Northern Ireland Policing Board my responsibility for preparing accounts that give a true and fair view of the state of affairs, net operating cost and cash flows of the Northern Ireland Policing Board for the year ended 31 March 2014.

In preparing the accounts, I was required to:

- observe the accounts direction issued by the Department of Justice, including the relevant accounting and disclosure requirements and apply appropriate accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis; and
- state whether applicable accounting standards have been followed and disclosed and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis on the presumption that the Northern Ireland Policing Board will continue in operation.

I confirm that for the financial year ended 31 March 2014:

- neither I, nor my staff, nor the Policing and Community Safety Partnerships receiving grant funding, authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money Northern Ireland;
- having considered and enquired as to the Northern Ireland Policing Board's compliance with law and regulations, I am not aware of any actual or potential non-compliance that could have a material effect on the ability of the Northern Ireland Policing Board to conduct its business or on the results and financial position disclosed in the accounts;
- all accounting records have been provided to you for the purpose of your audit and all transactions undertaken by the Northern Ireland Policing Board have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management meetings which you have requested have been supplied to you; and
- all Related Parties and Related Party Transactions involving Board Members and other senior staff of the Northern Ireland Policing Board have been properly disclosed.

All material accounting policies as adopted are detailed in note 1 to the accounts.

Annex A – Letter of Representation

INTERNAL CONTROL

I acknowledge as Chief Executive my responsibility for the design and implementation of internal controls to prevent and detect error and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated.

I confirm that I have reviewed the effectiveness of the system of internal control and that the disclosures I have made are in accordance with DFP guidance on the Governance Statement.

FRAUD

I acknowledge as Chief Executive my responsibility for the design and implementation of internal controls to prevent and detect fraud and I have disclosed to you the results of my assessment of the risk that the financial statements could be materially misstated as a result of fraud.

Other than the two instances which have been reported to the Department of Justice, I am not aware of any fraud or suspected fraud affecting the Northern Ireland Policing Board and no allegations of fraud or suspected fraud affecting the financial statements has been communicated to me by employees, former employees, analysts, regulators or others.

ASSETS

General

All assets included in the Statement of Financial Position were in existence at the reporting period date and owned by the Northern Ireland Policing Board and free from any lien, encumbrance or charge, except as disclosed in the accounts. The Statement of Financial Position includes all non-current assets owned by the Northern Ireland Policing Board.

Non Current Assets

All assets over £1,000 are capitalised. They are revalued annually in accordance with the Office for National Statistics indices as published by the Stationery Office. Depreciation is calculated to reduce the net book amount of each asset to its estimated residual value by the end of its estimated useful life in the Northern Ireland Policing Board operations.

Other Current Assets

On realisation in the ordinary course of the Northern Ireland Policing Board's operations the other current assets in the Statement of Financial Position are expected to produce at least the amounts at which they are stated. Adequate provision has been made against all amounts owing to Northern Ireland Policing Board which are known, or may be expected, to be irrecoverable.

LIABILITIES

General

All liabilities have been recorded in the Statement of Financial Position. There were no significant losses in the year and no provisions for losses were required at the year end.

Provisions

Provision is made in the financial statements for:

- Early Departure Costs (£30,000)
NIPB provides for the additional cost of benefits beyond the normal PCSPS(NI) benefits in respect of employees who retire early. The provision covers pension costs from the date of their retirement until

Annex A – Letter of Representation

they reach normal pensionable age. The provision relates to the full costs of the restructuring exercise. Pension costs will be released over the period to which they relate.

- Medical Appeals (£81,000)

This provision relates to outstanding appeals for the non-award of medical pensions and injury on duty pensions as a result of the percentage of disablement awarded, before and after review or due to the implementation date of the award for serving and ex-serving PSNI officers.

- Injury on Duty (£250,000)

This provision relates to outstanding cases where serving and ex-serving PSNI officers apply for medical retirement and/or injury on duty awards.

- Legal Cases (£236,000)

There are currently a number of outstanding legal cases in which the Board is named as defendant.

Contingent Liabilities

There are a number of legal claims or potential claims against the Northern Ireland Policing Board the outcome of which cannot at present be estimated with certainty. Full provision is made in the financial statements for all liabilities which are expected to materialise.

I am not aware of any pending litigation which may result in significant loss to the Northern Ireland Policing Board, and I am not aware of any action which is or may be brought against the Northern Ireland Policing Board under the Insolvency (Northern Ireland) Order 1989 and the Insolvency (Northern Ireland) Order 2005.

OTHER DISCLOSURES

Results

Except as disclosed in the accounts, the results for the year were not materially affected by transactions of a sort not usually undertaken by the Northern Ireland Policing Board, or circumstances of an exceptional or non-recurring nature.

Unadjusted errors

No unadjusted misstatements have been brought to my attention above the clearly trivial threshold of £3,500.

Events after the Reporting Period

Except as disclosed in the accounts, there have been no material changes since the reporting period date affecting liabilities and commitments, and no events or transactions have occurred which, though properly excluded from the accounts, are of such importance that they should have been brought to notice.

Personal Data

I am unaware of any data handling incidents involving personal data during the year.

Delegation of Authority for minor changes to the Annual Report and Accounts

In the event that minor subsequent amendments are required to the audited parts of the Annual Report or the financial statements after I have signed them, I authorise the Finance Manager, Brian McDonald, to make the changes on my behalf.

Sam Pollock
Chief Executive
20 June 2014

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

I certify that I have audited the financial statements of the Northern Ireland Policing Board for the year ended 31 March 2014 under the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Northern Ireland Policing Board, Chief Executive and auditor

As explained more fully in the Statement of the Northern Ireland Policing Board and Chief Executive's Responsibilities, the Northern Ireland Policing Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Policing Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Policing Board; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Northern Ireland Policing Board's affairs as at 31 March 2014 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and Department of Justice directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Justice directions made under the Police (Northern Ireland) Act 2000, as amended by the Police (Northern Ireland) Act 2003, as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010; and
- the information given in the Strategic Report, Board Report and the work of the Northern Ireland Policing Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

Detailed observations on concerns I have with Policing and Community Safety Partnership funding, on which I have not qualified my audit opinion, are included in my report attached at the end of the financial statements.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

2 July 2014

Annex C Implementations of Prior Year Recommendations

We reviewed management's implementation of Priority 1 recommendations made in our prior year Report to those Charged with Governance. We have summarised the response and provided our evaluation, based on the audit work we have undertaken.

No.	Recommendation	Management Implementation
1.	Improvements to the audit of PCSP Grant Funding, including the introduction of a Service Level Agreement for PCSP arrangements; the provision of training to Partnership managers and improvements to the timing of year end PCSP accruals.	A Service Level Agreement has been incorporated into the Memorandum of Understanding; training for PCSP Partnership managers has been provided and the year end close-down process for PCSP accruals has been expedited.

The Audit Committee should ensure that it is content that other recommendations made in our prior year Report to those Charged with Governance have been actioned by management. The Audit Committee should also ensure that adequate arrangements are in place to track all recommendations.

Policing and Community Safety Partnerships (PCSPs)

PCSPs were established on 1 April 2012. They are statutory bodies established under the Justice Act (Northern Ireland) 2011 and bring together, in one partnership, the functions and responsibilities previously delivered by District Policing Partnerships (DPPs) and Community Safety Partnerships (CSPs). There are 26 PCSPs, one for each District Council area.

PCSPs are funded jointly by the Department of Justice (DoJ) and the Northern Ireland Policing Board (NIPB). Since the establishment of the PCSPs they have received funding totalling £10.7 million (£4.4 million from DoJ and £6.3 million from NIPB). District Councils provide administrative support and may also provide further funding for specific projects in their local areas.

PCSPs aim to make our community safer by focusing on the policing and community safety issues that matter most in each local council area. PCSPs may work in partnership with those organisations that have a contribution to make to enhancing community safety in their area. Through the partnerships, the PCSPs may provide any such financial or other support considered appropriate to persons involved in ventures designed to reduce crime or enhance community safety in the district.

Governance Concerns

DOJ and the NIPB established a Joint Committee on 12 October 2011 to provide direction to the PCSPs on their governance and accountability mechanisms. As part of their role the Joint Committee issued a Code of Practice document to provide guidance on the exercise of functions by PCSPs.

In 2012-13 a review was undertaken to provide assurance to the Board and DOJ that the expenditure claimed by each of the 26 PCSPs was incurred wholly and exclusively for the activities undertaken by each PCSP. The Policing Board’s internal audit verified 99% of expenditure in 25 Council areas however there were delays in obtaining key documentation in support of claims made by Larne Borough Council PCSP for 2012-13.

During 2012-13 a total of £147,054 was provided to Larne Borough Council PSCP by NIPB and DOJ. However, in the absence of any agreed action plan for 2013-14, no funding was provided to Larne Borough Council for the operation of the PCSP in the 2013-14 financial year.

In April 2013 it was agreed there was need for a review of Larne Borough Council PSCP’s processes and procedures for allocating funding during the 2012-13 period. The review identified 10 issues and made recommendations on the way forward in the following areas;

- training;
- structure of the PCSP;
- role and remit of the Community Safety Managerial Partnership;
- allocation of funding;
- identification of projects;

- scoring and selection matrix;
- scoring sheet anomalies;
- conflicts of interest;
- minutes of meetings; and
- 2012-13 funding decisions.

A report was issued to Larne Borough Council PCSP in January 2014 for management responses. Responses were received from Larne Borough Council in March 2014 and from Larne Borough Council PCSP in May 2014.

These responses did not accept the report findings which have still not been agreed. They did nevertheless accept the recommendations in the audit report. Larne Borough Council PCSP advised the NIPB in their response that they have established working groups to consider the recommendations and action planning and that progress in being made on the implementation of the recommendations.

The NIPB advised me that further payment of grant funding will be authorised following receipt of confirmation that all recommendations have been implemented.

Conclusion

I commend the NIPB / Joint Committee for commissioning an initial review of PCSPs in all Council areas. However, it is concerning that there is no assurance that the public funding provided to the Council for use by the PCSP has been applied for the purposes intended or in line with PCSP statutory responsibilities. If irregular expenditure has been made by Larne PCSP I would expect the NIPB and Joint Committee to require the funding to be repaid. It is critical that the recommendations are implemented to address these serious issues.

I have discussed this matter with the Local Government Auditor who shares my concerns and has advised me that she will be considering these issues during the audit of Larne Borough Council: Statement of Accounts for 2013-14.