

Community Justice Scotland

2024/25 Annual Audit Report



Prepared for Community Justice Scotland and the Auditor General for Scotland
October 2025

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Key messages

Audit of the annual report and accounts

- 1** All audit opinions stated that the annual report and accounts were free from material misstatement.
- 2** There were no significant findings or key audit matters to report. The audited part of the remuneration report, management commentary and the governance statement were properly prepared in accordance with the applicable requirements.

Financial Sustainability and Best Value audit

- 3** Community Justice Scotland has effective and appropriate arrangements in place for securing financial sustainability.
 - 4** Community Justice Scotland has effective and appropriate arrangements in place for securing Best Value.
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Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Community Justice Scotland (CJS) annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to CJS and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Appointed auditor and independence

3. Stuart Nugent, of Audit Scotland, has been appointed as external auditor of CJS for the period from 2024/25 until 2026/27. As reported in the Annual Audit Plan, Stuart Nugent and the audit team are independent of CJS in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team from CJS, including no provision of non-audit services.

Acknowledgements

4. We would like to thank CJS and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit scope and responsibilities

Scope of the audit

5. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:

- An audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement.
- An opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement.
- An opinion on the audited part of the Remuneration and Staff Report.
- Concluding on the financial sustainability of CJS and a review of the Governance Statement.
- Reporting on CJS arrangements for securing Best Value.
- Provision of this Annual Audit Report.

Responsibilities and reporting

6. The Code of Audit Practice sets out the respective responsibilities of the body and the auditor. A summary of the key responsibilities is outlined below.

Auditor's responsibilities

7. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts, and concluding on CJS arrangements in place for the wider scope areas and Best Value.

8. The matters reported in the Annual Audit Report are only those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve CJS from its responsibilities outlined below.

9. The Annual Audit Report includes an agreed action plan at [Appendix 1](#) setting out specific recommendations to address matters identified and includes details of the responsible officer and dates for implementation.

CJS responsibilities

10. CJS has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- Establishing arrangements to ensure the proper conduct of its affairs.
- Preparation of an annual report and accounts, comprising financial statements that gives a true and fair view and other specified information.
- Establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption.
- Implementing arrangements to ensure its financial position is soundly based.
- Making arrangements to secure Best Value.
- Establishing an internal audit function.

National and performance audit reporting

11. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to CJS and Audit and Risk Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Audit of the annual report and accounts

Main judgements

All audit opinions stated that the annual report and accounts were free from material misstatement.

There were no significant findings or key audit matters to report. The audited part of the remuneration report, management commentary and the governance statement were properly prepared in accordance with the applicable requirements.

Audit opinions on the annual report and accounts

12. The CJS annual report and accounts were approved by the Audit and Risk Committee on 22 October 2025 and signed by the appointed auditor on 06 November 2025. The Independent Auditor's Report is included in the CJS's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



Audit timetable

13. The unaudited annual report and accounts and all working papers were received on 25 August 2025. This was after the agreed date of 30 July 2025, however this did not impact on the completion of the audit.

Audit Fee

14. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £18,330. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality

15. The concept of materiality is applied by auditors in planning and performing an audit, and in evaluating the effect of any uncorrected misstatements on the financial statements or other information reported in the annual report and accounts.

16. Broadly, the concept of materiality is to determine whether misstatements identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

17. Materiality levels for CJS were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels for Community Justice Scotland

| Materiality | Amount |
|---|---------|
| Materiality – set at 2% of gross expenditure | £78,000 |
| Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements identified during the audit exceeds performance materiality, this could indicate further audit procedures are required. | £58,000 |
| Reporting threshold – set at 5% of materiality. | £4,000 |

Source: Audit Scotland

Significant findings and key audit matters

18. ISA (UK) requires auditors to communicate significant findings from the audit to those charged as governance, which for CJS is the Audit and Risk Committee.

19. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and require most attention when performing the audit.

20. In determining key audit matters, auditors consider:

- Areas of higher or significant risk of material misstatement.
- Areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty.

- Significant events or transactions that occurred during the year.

21. There are no significant findings or key audit matters to report.

Qualitative aspects of accounting practices

22. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of CJS' accounting practices, including accounting policies and disclosures in the financial statements.

Accounting policies

23. The appropriateness of accounting policies adopted by CJS was assessed as part of the audit. These were considered to be appropriate to the circumstances of CJS, and there were no significant departures from the accounting policies set out in the government's financial reporting manual.

Disclosures in the financial statements

24. The adequacy of disclosures in the financial statements was assessed as part of the audit. The quality of disclosures was adequate, with additional levels of detail provided for disclosures around areas of greater sensitivity, such as financial instruments.

Significant matters discussed with management

25. All significant matters identified during the audit and discussed with CJS management have been reported in the Annual Audit Report.

Audit adjustments

26. No audit adjustments were required to the financial statements submitted to audit.

Significant risks of material misstatement identified in the Annual Audit Plan

27. Audit work has been performed in response to the significant risks of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit , \(page 10\)](#).

Exhibit 2

Significant risks of material misstatement to the financial statements

| Risk of material misstatement | Planned audit response | Outcome of audit work |
|---|---|---|
| <p>Fraud caused by management override of controls</p> <p>Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct year. • Consider any usual material transactions identified through our audit testing for any evidence of management override of controls. • Review accounting estimates for evidence of management bias including assessing any changes to the methods and underlying assumptions used. | <p>Audit work performed found:</p> <ul style="list-style-type: none"> • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified from transactions outside the normal course of business. • The controls in place for identifying and disclosing related party relationships and transactions were adequate. • No significant issues were identified with changes to methods and underlying assumptions used to prepare accounting estimates and there was no evidence of management bias. • No issues identified with the income or expenditure transactions around the year-end. <p>Conclusion: no evidence of fraud caused by management override of controls.</p> |

| Risk of material misstatement | Planned audit response | Outcome of audit work |
|--|---|---|
| <p>Move to Oracle Cloud Fusion during the year</p> <p>CJS's ledger system, SEAS, was replaced with a new cloud-based system, Oracle Fusion, from 1 October 2024. As CJS switched their ledger part way through the year, this means that there is a risk around the migration of data from SEAS onto Oracle Fusion. This also means that information from two systems will be used to prepare the 2024/25 accounts.</p> <p>The audit team is aware that there have been issues with the implementation of the new system around the payroll and financial reporting.</p> <p>The ledger is the primary information source for the preparation of the annual accounts and therefore issues with its use or reliability represent a pervasive risk for the accuracy of the whole financial statements.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> • Evaluate the design and implementation of controls within the new system, including workaround arrangements. • Assess the adequacy of controls in place for ensuring that balances are brought forward from the old system into the new system correctly. • Assess the adequacy of controls in place for overseeing the implementation of the new system, and the testing carried out in advance of the implementation date. • Obtain assurances from the Scottish Government audit team regarding the adequacy of controls and processes in place for the new system. | <p>Audit work performed found:</p> <ul style="list-style-type: none"> • The design of controls within the new system were found to be appropriate and implemented as intended. • No issues were identified with the balances brought forward from the old system into the new system. • The audit confirmed that CJS produced in-house system notes for the new system based on Oracle related training videos. CJS also carried out work around verifying their payroll figures due to issues with reports received from the new system. • The Scottish Government audit team did not provide assurances over the operating effectiveness of the controls this year. Consequently, the CJS audit approach was adjusted by increasing the sample sizes of the substantive testing. <p>Conclusion: there is no evidence that the move to Oracle Cloud Fusion has resulted in material errors in CJS's annual accounts and report.</p> |

Source: Audit Scotland

Prior year recommendations

28. CJS has made substantial progress in implementing the agreed prior year audit recommendations. For actions not yet implemented, revised

responses and timescales have been agreed with the body and are outlined in [Appendix 1](#).

Financial Sustainability and Best Value audit

Conclusion

CJS has effective and appropriate arrangements in place for securing financial sustainability.

CJS has effective and appropriate arrangements in place for securing Best Value.

Audit approach to wider scope and Best Value

Wider scope

29. The Annual Audit Plan reported the body was considered to be a less complex body for the wider scope audit. Therefore, the wider scope audit does not cover all four wider scope areas and is instead limited to concluding on the financial sustainability of the body.

Duty of Best Value

30. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

31. We confirmed in 2023/24 that CJS had arrangements in place to secure Best Value. These arrangements continue to be in place in 2024/25 with the framework between CJS and the Scottish Government.

Significant wider scope and Best Value risks

32. Audit work has been performed in response to the significant wider scope and Best Value risks identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit](#).

Exhibit 3

Significant wider scope and Best Value risks

| Significant risk | Planned audit response | Outcome of audit work |
|--|---|--|
| <p>Financial sustainability</p> <p>CJS does not have any medium- or longer-term financial plans. As a result, financial planning at CJS may not be able to achieve the priorities in the Corporate Plan.</p> <p>A three-year financial plan will be developed in 2025/26 for the new Strategic Plan 2026-2029. This will be provided to the board and senior management during 2025/26.</p> | <p>The audit team will:</p> <ul style="list-style-type: none"> • Review any financial plans developed and assess the appropriateness of the financial plans and any assumptions made. • Carry out an on-going review of the financial reporting provided to management. | <p>Audit work performed found:</p> <ul style="list-style-type: none"> • The Scottish Government requested that CJS produce a three-year budget for October 2025 covering the periods 2026/27 – 2028/29. • The three-year budget produced is appropriate for CJS's circumstances, with reasonable assumptions. It identifies that a funding increase of 9% is required in 2026/27 for the organisation to continue to operate at current levels. • The three-year budget is aligned to the current Corporate Plan 2023-2026, however the Scottish Government will be reviewing the Community Justice Strategy in 2026. Following this, CJS will create its next Corporate Plan and will prepare a rolling five-year budget plan. <p>Conclusion: CJS is making appropriate arrangements to develop a rolling five-year financial plan which is aligned with its strategic priorities. The recent budget submission to the Scottish Government identified that a funding increase of 9% is required in 2026/27 for the organisation to continue operating at its current level.</p> |

Source: Audit Scotland

Conclusions on Financial Sustainability

33. The audit work performed on the arrangements CJS has in place for securing financial sustainability found that these were effective and appropriate. This judgement is evidenced by CJS:

- developing a three-year budget with scenario planning using reasonable assumptions.
- having effective arrangements in place for identifying risks to financial sustainability over the medium and longer-term, and understanding medium and longer-term demand pressures that could impact on available resources.

34. The recent three-year budget submission identified that CJS requires a 9% funding increase in 2026/27 to continue operating at its current level. At the time of writing this has yet to be formally agreed by the Scottish Government. We will follow up on this as part of our audit in 2025/26.

Voluntary Throughcare Grant

35. During 2025/26, CJS has begun acting as Grant Manager overseeing the monitoring of the national voluntary throughcare service which is funded by a Scottish Government grant. This grant funds a partnership of third sector organisations to support people leaving prison after a short-term prison sentence or a period of remand. There will be £5.3m available for the grant in its first year.

36. Commissioning and grant management is a new responsibility for CJS. This will be covered in the 2025/26 audit, focusing on the accounting treatment adopted within the CJS 2025/26 annual accounts and report.

Appendix 1

Action plan 2024/25

Follow-up of prior year recommendations

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|--|
| <p>1. Business Continuity Plan testing</p> <p>CJS has business continuity plans (BCP) in place, which are supposed to be tested annually to ensure they are appropriate and work effectively. These plans have not been tested recently.</p> <p>There is a risk that the plan is no longer appropriate for the organisation.</p> | <p>CJS should ensure that their BCP is regularly reviewed and tested to ensure it remains appropriate for the organisation.</p> <p>Agreed Action: A full review of the BCP was carried out in the first half of 2024/25 and a test of the system will take place in October 2024. The BCP will now be reviewed on a quarterly basis to ensure that it is up to date. An annual test will be carried out.</p> <p>Responsible officer: Director of Operations</p> <p>Target date: March 2025</p> | <p>Implemented</p> <p>CJS has worked to refresh their BCP. Testing of the BCP has been done through the Senior Management Team.</p> |

| Matter giving rise to recommendation | Recommendation, agreed action, officer and timing | Update |
|---|---|---|
| <p>2. Financial forecasts and reporting to the Board</p> <p>CJS is a small organisation with a straightforward approach to setting the annual budget. Spend in-year is monitored against the budget.</p> | <p>A three-year medium term financial plan should be prepared. This would allow the Board to consider the future financial risks to CJS as an organisation, and how these could be mitigated, alongside understanding where savings could be made if required, recognising a significant proportion of the budget is staff costs.</p> <p>Agreed Action: Improvements to the provision of financial information and to the budget monitoring process were made during 2022/23 and have been consolidated in the financial years 2023-2025. A one-year medium term financial plan for the 2025/26 financial year will be created as the last year of the current Strategic Plan 2026-2029. This will be provided the board and senior management during 2025-26.</p> <p>Responsible officer: Head of Corporate Services</p> <p>Target date: March 2025</p> | <p>Implemented</p> <p>The Scottish Government requested that CJS develop a three-year budget in October 2025. This was ahead of the CJS's planned timeline for developing a longer-term plan. The Scottish Government will be reviewing the Community Justice Strategy in 2026. Following this, CJS will create its next Corporate Plan and will prepare a rolling five-year budget plan.</p> <p>The three-year budget is appropriate for CJS's circumstances. The assumptions made are reasonable and the budget aligns with the current Corporate Plan and CJS's priorities.</p> |

Appendix 2

Supporting national and performance audit reports

| Report name | Date published |
|---|-------------------|
| Local government budgets 2024/25 | 15 May 2024 |
| Scotland's colleges 2024 | 19 September 2024 |
| Integration Joint Boards: Finance and performance 2024 | 25 July 2024 |
| The National Fraud Initiative in Scotland 2024 | 15 August 2024 |
| Transformation in councils | 1 October 2024 |
| Alcohol and drug services | 31 October 2024 |
| Fiscal sustainability and reform in Scotland | 21 November 2024 |
| Public service reform in Scotland: how do we turn rhetoric into reality? | 26 November 2024 |
| NHS in Scotland 2024: Finance and performance | 3 December 2024 |
| Auditing climate change | 7 January 2025 |
| Local government in Scotland: Financial bulletin 2023/24 | 28 January 2025 |
| Transparency, transformation and the sustainability of council services | 28 January 2025 |
| Sustainable transport | 30 January 2025 |
| A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study | 20 February 2025 |
| Additional support for learning | 27 February 2025 |
| Integration Joint Boards: Finance bulletin 2023/24 | 6 March 2025 |
| Integration Joint Boards finances continue to be precarious | 6 March 2025 |
| General practise: Progress since the 2018 General Medical Services contract | 27 March 2025 |
| Council Tax rises in Scotland | 28 March 2025 |

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