



INFRASTRUCTURE, GOVERNMENT &
HEALTHCARE

**Argyll, Bute and
Dunbartonshires
Criminal Justice
Social Work
Partnership Joint
Committee**

Annual audit report to the
members of the Joint
Committee and the Controller
of Audit 2006-07

31 October 2007

AUDIT

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Notice: About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ('the Code').

It is for the benefit of only the Argyll, Bute and Dunbartonshires Criminal Justice Social Work Partnership Joint Committee and is made available to the Accounts Commission and Audit Scotland (all together the beneficiaries), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introductory section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Complaints

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Grant Macrae, who is the engagement leader for our services to the Argyll, Bute and Dunbartonshires Criminal Justice Social Work Partnership Joint Committee, telephone 0131 527 6611, email grant.macrae@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Lorraine Bennett, our Head of Audit in Scotland, either by writing to her at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 222 2000 or email to lorraine.bennett@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Director of Audit Strategy, Audit Scotland, 110 George Street, Edinburgh, EH2 4LH.



Executive summary

This report summarises our work for the 2006-07 year and our findings in relation to our audit of the accounts, corporate governance and performance management arrangements.

Accounts

On 28 September 2007 we issued an audit report giving our unqualified opinion on the accounts of Argyll, Bute and Dunbartonshires Criminal Justice Social Work Partnership Joint Committee for the year ended 31 March 2007.

Financial position

The Joint Committee's balance sheet shows total assets of £124,176 comprising fixed assets. Within current assets, the Joint Committee holds £317,890 cash on deposit within the loans fund of West Dunbartonshire Council, sundry debtors of £180,580 and £500 in petty cash offset by sundry creditors of £498,970.

The Joint Committee's net cost of services in 2006-07 was £3,175,913. As the Joint Committee is required to produce a break-even result year-on-year there is no general fund balance at the year end.

Corporate governance

The 2006-07 statement on internal financial control prepared by management does not disclose any major weaknesses.

The Joint Committee's financial systems are the same as those operated by West Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit. Appropriate checking of the draft financial statements back to these systems was undertaken at the year end. No audit findings relating uniquely to the Joint Committee were identified during work carried out at the Council.

Introduction

Audit framework

This was the first year of our five-year appointment as external auditors of Argyll, Bute and Dunbartonshires Criminal Justice Social Work Partnership Joint Committee (“the Joint Committee”). This report to the members of the Joint Committee and the Controller of Audit outlines our opinion and conclusions and highlights significant issues arising from our work.

In accordance with Audit Scotland’s *Code of Audit Practice* (“the Code”), the scope of the audit was to:

- provide an opinion on the Joint Committee’s accounts;
- review and report on (as required by relevant legislation, the Code and any guidance issued by Audit Scotland) the:
 - the Joint Committee’s corporate governance arrangements as they relate to: its review of systems of internal control; the prevention and detection of fraud and irregularity; standards of conduct, and prevention and detection of corruption; and its financial position
 - the Joint Committee’s arrangements to achieve Best Value
 - other aspects of the Joint Committee’s arrangements to manage its performance, as they relate to economy, efficiency and effectiveness in the use of resources
 - arrangements for preparing and publishing statutory performance information.

Given the relative size of the Joint Committee and the way in which its activities are undertaken, we have taken reliance from our audit work on corporate governance and other arrangements undertaken at West Dunbartonshire Council (“the Council”) where it was appropriate to do so.

Basis of information

External auditors do not act as a substitute for the Joint Committee’s own responsibilities for putting in place proper arrangements to account for the stewardship of resources made available to it and its financial performance in the use of those resources, to ensure the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the effectiveness of those arrangements and to make arrangements to secure Best Value.

Acknowledgement

We wish to place on record our appreciation of the co-operation and assistance extended to us by staff during the first year of our work in the discharge of our responsibilities.



Accounts audit

Audit opinion

On 28 September 2007 we issued an audit report giving our unqualified opinion on the accounts of the Joint Committee for the year ended 31 March 2007.

Our findings on the Joint Committee's accounts production process were made in our report to those charged with governance, issued in draft to management on 27 September 2007 and finalised, following management responses on 30 October 2007.

We wish to bring the following issues to your attention.

Compliance with the 2006 SORP

The Code of Practice on Local Authority Accounting in the United Kingdom 2006 ("2006 SORP") introduced a number of substantive changes to local authority accounting and accounts presentation. The main changes included:

- the removal of the requirement to make a capital financing charge; and
- changes to the format of the core financial statements.

The unaudited accounts of the Joint Committee had been prepared in line with the revised format under the 2006 SORP for the core financial statements. The audit process, however, identified a number of disclosure and presentational matters requiring adjustment to ensure compliance with 2006 SORP. Our report to those charged with governance made two recommendations in respect of the accounts production process, which were accepted by management.

As a result of the change in accounting policies required by the 2006 SORP, the Joint Committee processed a prior year adjustment to reflect changes in the previously reported financial statements, in line with the requirements of FRS 3 'reporting financial performance.'

Significant accounting / auditing issues identified

Going concern

On 1 April 2007, the activities of the Joint Committee transferred to the North Strathclyde Community Justice Authority. Whilst we understand that the Joint Committee may continue in an operational capacity, it will not be required to prepare accounts for the year ending 31 March 2008. This requirement will fall upon the North Strathclyde Community Justice Authority. As a result, the 2006-07 Joint Committee accounts have therefore not been prepared on a going concern basis. There was no requirement to adjust the carrying value of the Joint Committee's assets and liabilities in this respect.



Accounting for retirement benefits

The Joint Committee is comprised of three constituent authorities, namely West Dunbartonshire Council ("the Council), East Dunbartonshire Council, and Argyll and Bute Council. There are no officers employed directly by the Joint Committee, with all staff involved in the Joint Committee's activities being contracted employees of the constituent authorities. As an entity, the Joint Committee is not a recognised employer within any pension scheme. As such, no liability for past service costs is therefore held on the Joint Committee's balance sheet as this liability is met by the constituent authorities. Pension contributions are recharged to the Joint Committee from each constituent authority as part of the staff costs of the Joint Committee.

Financial position

General fund

The Joint Committee reported a net operating expenditure of £3,147,244, with a break-even result for the year.

	Actual - £
Income and expenditure result	
Net operating expenditure	3,147,244
Income: grant funding from the Scottish Executive and other income	3,120,632
(Surplus) / deficit to be met from balances b/forward	26,612
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(26,612)
Result for the year: (Increase) / decrease in general fund balance	nil
General fund balance brought forward	nil
General fund balance carried forward	nil

The Joint Committee's income was £28,282 in excess of budget as a result of additional grant income received during the year.

Reserves and balances

The Joint Committee does not hold a general fund balance at the year end. Its total assets as at 31 March 2007 are £124,176 represented by plant and equipment fixed assets. The minute of agreement of the Joint Committee does not allow it to own assets, and so title for assets rests with the constituent authorities. As the risks and rewards of asset ownership lie with the Joint Committee, however, the net book value of the assets is shown on its balance sheet.

Group accounts

The Joint Committee has been determined to have an associate relationship with each of its constituent authorities and so its results for the year have been consolidated within the group accounts of each of the three councils.

Corporate governance

Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all bodies.

The head of finance at the Council acts as the treasurer of the Joint Committee, and has been appointed by the Joint Committee as the responsible officer for the administration of its affairs.

The responsibilities of the Joint Committee and the treasurer for establishing arrangements for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements are outlined in the Statement of Responsibilities within the accounts.

The *Code* requires auditors to review and report on the Joint Committee's corporate governance arrangements as they relate to:

- the Joint Committee's reviews of its systems of internal control, including its reporting arrangements;
- the prevention and detection of fraud and irregularity;
- standards of conduct and arrangements for the prevention and detection of corruption; and
- its financial position.

Statement of internal financial control

The Joint Committee's statement describes the component parts of the internal financial control framework and the process by which the treasurer and the director of social work services have reviewed the effectiveness of the internal financial control system enabling them to conclude that reasonable assurance can be placed on the adequacy and effectiveness of the internal financial control system. The statement prepared by the Joint Committee expresses its framework of control and is consistent with our understanding of the established framework.

The Joint Committee's financial transactions are processed within the systems of West Dunbartonshire Council. The reviews of these systems were conducted simultaneously to those carried out as part of the Council's audit. Appropriate checking of the draft financial statements back to these systems was undertaken at the year end.

No audit findings relating uniquely to the Joint Committee were identified during the work carried out at the Council, however, a number of recommendations to improve the overall control environment within the Council were accepted by management.



Prevention and detection of fraud and irregularity

During 2006-07 we had regard to Statement of Auditing Standards 110: *Fraud and Error* and International standards on Auditing 240: *The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements* when completing our audit work in this area.

From discussion with management and completion of our audit procedures, we have not identified any suspected or actual fraud.

Standards of conduct

The Joint Committee comprises two elected members from each of the constituent authorities. Members of the councils are subject to the Code of Member Conduct which sets out the standards of conduct expected of each member in carrying out their duties.

Performance management

The terms of appointment from Audit Scotland include a requirement for a proportion of our audit time to be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non-financial, including both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors.

No performance audit studies were identified by Audit Scotland for the Joint Committee during 2006-07.

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