

North Strathclyde Community Justice Authority

**Report to Members and the
Auditor General on the 2007/08 Audit**



October 2008

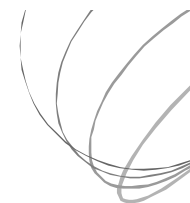


North Strathclyde Community Justice Authority

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Key Messages

Introduction

2007/08 was the first year of the Community Justice Authority after its establishment through the Management of Offenders etc (Scotland) Act 2005. The Act established eight community justice authorities to provide strategic bodies for planning, managing and reporting on the performance of the local authorities and their statutory partners who co-ordinate offender services.

This report summarises the findings from the 2007/08 audit of the North Strathclyde Community Justice Authority. This is the first year of a four year audit appointment. We audited the financial statements and looked at aspects of performance management and governance arrangements that have been developed during the first year of the organisation. This report sets out our main findings from the 2007/08 audit and the outlook for the period ahead.

Key outcomes from 2007/08 audit

We have given an **unqualified** opinion on the financial statements of the North Strathclyde Community Justice Authority.

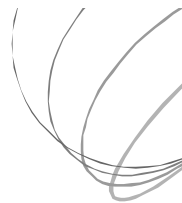
Outlook for future audits

As a new organisation, the North Strathclyde Community Justice Authority is continuing to develop a range of governance processes and policies and we will continue to monitor and review these.

The co-operation and assistance from the Authority's staff during the year is gratefully acknowledged.

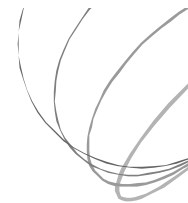


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Introduction

1. This report summarises the findings from our 2007/08 audit of North Strathclyde Community Justice Authority (NSCJA) and this is the first year of a four year appointment. Findings are set out in four sections: financial statements, financial position, governance and performance.
2. Overall conclusions about the Authority's management of key risks are discussed throughout this report. Appendix A sets out the key risks highlighted in this report which we wish to draw to the attention of members and the action planned by management to address them.



Financial statements

Introduction

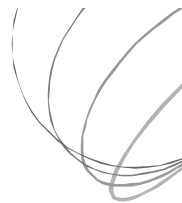
3. In this section we summarise key outcomes from our audit of the Community Justice Authority's financial statements for 2007/08. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
4. We audit the financial statements and give an opinion on whether:
 - they present a true and fair view, in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder, of the state of affairs of the body as at 31 March 2008 and of its net operating cost and cash flows for the year then ended
 - they have been properly prepared in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder.
5. We also review the statement on the system of internal financial control by considering the adequacy of the process put in place by the authority to obtain assurances on systems of internal financial control and assessing whether disclosures in the statement are consistent with our knowledge of the Authority.

Overall conclusion

6. We have given an **unqualified** opinion on the financial statements of the North Strathclyde Community Justice Authority for 2007/08.

Accounting practice

7. Community justice authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* (the 'SORP').
8. Overall, we were satisfied that the revised accounts presented for audit are in accordance with the SORP.
9. The Authority's signed financial statements were initially submitted to external audit on 24 June 2008. This version however, required amendment to comply with the format for financial statements set out in the financial memorandum issued by the Scottish Government. In our opinion, consideration should be given to improving the clarity of account disclosures by more disclosures on the financial outturn of



s27 funds and the administration grant. There would also be advantages in ensuring that all NSCJA funds are channelled through the Authority and not paid directly to the host local authority.

Action Point 1

10. Confirmation on supporting information on s27 expenditure incurred by partner local authorities was delayed due to uncertainty over the format of information to be submitted by all community justice authorities. As a result, coordinating officials within Renfrewshire Council were unable to provide a revised account incorporating all required information to us until after the 30 September date set in the financial memorandum for the formal submission of accounts. Audited accounts were however finalised prior to the target date of 31 October 2008 and will be submitted to Ministers in order to be laid before the Scottish Parliament prior to the deadline of 31 December 2008.
11. The Authority has adjusted the financial statements to reflect our audit findings. As required by International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*, we have reported to the Chief Officer.

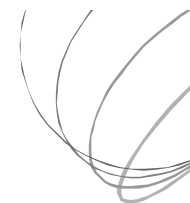
Regularity

12. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

Financial reporting outlook

IFRS adoption

13. Central government and NHS bodies are to move from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) with effect from 2009/10. The intention is that local government will adopt IFRS for 2010/11. As yet it is unclear when the Authority will adopt IFRS given that it is a central government body following local government accounting practice. This issue will require further clarification during 2008/09.



Financial position

Introduction

14. In this section we summarise key aspects of the Authority's reported financial position to 31 March 2008, including our views on potential financial risks. Our findings and key messages are set out in this section, highlighting the significant challenges being faced by the Authority in managing ongoing financial pressures in funding existing service delivery and future improvement.

Operating performance 2007/08

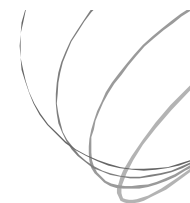
15. The NSCJA's total expenditure in 2007/08 was £10.143 million which after taking account of grant and other income, resulted in a net cost of £19,925. Interest earned on cash balances totalled £42,076 resulting in an overall surplus for the year of £22,151. The s27 grant is paid by the Scottish Government and is split between core and non-core services in accordance with the 2007/08 grant allocation. s27 criminal justice grant income of £5.881 million on core services was received with associated expenditure of £5.548 million being incurred. Non core grant income was £3.829 million with expenditure of £3.143 million. Expenditure on overheads amounted to £0.631 million representing 7.2 percent of actual expenditure incurred on core and non core expenditure.
16. Capital expenditure associated with three projects totalled £0.305 million was incurred during the year. The main project, the refurbishment of a property in Backsneddon Street, was £92,087 over the allocation approved for it. Approval to apply the underspend on the non core allocations to this overspend was received from the Scottish Government.

Underspend of grant

17. Local authorities underspent s27 grant allocations by £0.330 million. After taking account of the balance of under spent administration grant funds, the balance to be repaid to the Scottish Government totals £0.382 million. These disclosures are made within the debtors and creditors notes to the balance sheet at 31 March 2008.

Outlook

18. The authority's s27 grant allocation for next year (2008/09) is £10.008 million representing a 3 per cent increase on core and non core allocations made in 2007/08.



Governance

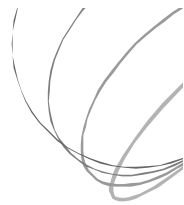
Introduction

19. In this section we comment on key aspects of the Community Justice Authority's governance arrangements during 2007/08. We also provide an outlook on future governance issues.

Overview of arrangements in 2007/08

20. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours. The Scottish Government community justice directorate issued a financial memorandum in April 2008 that defines the expected policies and procedures to be introduced by authorities.
21. In its first year of operation, the NSCJA has made very good progress in developing its governance framework. Governance frameworks have been approved to ensure equalities in matters such as race, disability and gender. A Freedom of Information publication scheme has been approved and a register of interests and risk register has been established. Work has also been carried out to agree a Code of Conduct, Financial Regulations and a Scheme of Delegation. This level of progress is to be commended. We plan to examine the application of these corporate governance arrangements during our audit appointment.
22. The NSCJA's support services are provided by Renfrewshire Council and this local authority provides internal audit coverage for the NSCJA. We understand that the community justice authority proposes to adopt or adapt the policies and procedures of the Council, where appropriate.
23. As noted at paragraph 16 above, capital expenditure funded directly to Renfrewshire Council for a major refurbishment project was not monitored by the NSCJA during the year but was subject to the capital monitoring processes within Renfrewshire Council. Given the overspend incurred, such projects should be subject to regular NSCJA oversight.

Action Point 2



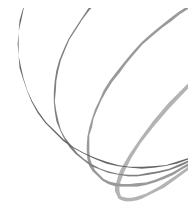
Governance outlook

24. As reported above, the NSCJA has made good progress in developing its governance framework however there is scope to develop its policy on whistle blowing and fraud. Given the nature of the relationship Authority has with partner councils, the greater importance is to establish that the Authority is confident that such policies operate within member councils. There is also scope to finalise appropriate service level agreements with Renfrewshire Council for the provision of support services.

Action Point 3

25. This year's audit also confirmed that not all member councils had service level agreements with contracting organisations for the provision of services.

Action Point 4



Performance

Introduction

26. In this section we summarise how the authority is developing performance targets.

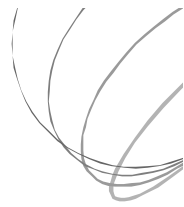
Overview of performance in 2007/08

27. The National Strategy for the Management of Offenders outlined a set of outcomes that the community justice authorities should achieve for communities, offenders and the justice system. The Scottish Government Justice Department has been developing measures over the past two years that will determine the progress authorities have made against these outcomes. The work is still underway and it is anticipated that the national framework may be partially implemented towards the end of this year.

28. The Authority approved an Area Plan for its activities during 2007/08 and has recently approved a further Area Plan covering the period 2008/2011. An Annual Report was submitted to the Scottish Government in line with the July 2008 deadline.

Performance outlook

29. As part of its proposed national study programme Audit Scotland has met with community justice authority chief officers to discuss a study on "Reducing Re-Offending". These discussions are expected to influence the scope and timing of any future study.



Final Remarks

30. Attached to this report is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of members. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.
31. Appropriate mechanisms should be considered and agreed by members for monitoring the effectiveness of planned action by officers. We will review the operation of the agreed mechanism as part of the 2008/09 audit.
32. The co-operation and assistance given to us by North Strathclyde Community Justice Authority staff and staff in Renfrewshire Council as host authority is gratefully acknowledged.



Appendix A: Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	9	The Authority should consider ways of enhancing the clarity of the financial statements and ensure that all CJA funds are processed through the CJA.	Any additional allocation or specific project from the Scottish Government will be advised by the Accountable Officer to the Treasurer and the appropriate local authority.	Chief Officer	March 2009
2	23	Capital expenditure should be subject to regular NSCJA oversight.	Any capital allocations notified by the Scottish Government will be discussed and monitored with the appropriate Responsible Authority	Chief Officer	March 2009
3	24	The Authority should finalise appropriate service level agreements with Renfrewshire Council for the provision of support services.	Adoption of a single SLA covering legal, corporate services, IT, HR, Payroll, Pension, Finance and Communications Services. If this is not possible, the adoption of separate SLA's for each of the above.	Chief Officer	March 2009
4	25	The Authority should ensure that member councils have service level agreements with contracting organisations for the provision of services.	We will request a list of all Section 27 contracts and supporting SLA's to be provided by 31/03/09. We will establish a protocol for ensuring the list is kept up to date.	Chief Officer	March 2009