

# South West Scotland Community Justice Authority

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



**November 2008**

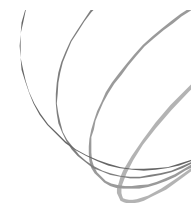


# South West Scotland Community Justice Authority

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# Key Messages

## Introduction

2007/08 was the first year of the South West Scotland Community Justice Authority ('the authority') after its establishment through the Management of Offenders etc (Scotland) Act 2005. The Act established eight community justice authorities which are devolved public bodies tasked with a range of duties including reducing re-offending, improving the management of offenders and allocating grant to the constituent local authority criminal justice social work services.

This report summarises the findings from the 2007/08 audit of the 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 authority.

## Outlook for future audits

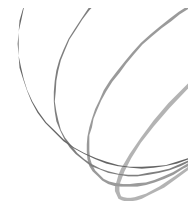
As a new organisation, the South West Scotland Community Justice Authority is continuing to develop a range of governance processes and policies and we will continue to monitor and review these.

The authority returned a small deficit of £4k for the year. As the authority does not hold any reserves or balances, this deficit will be met from the budget for 2008/09.

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

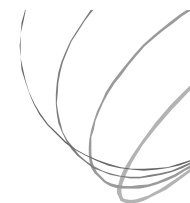


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# Introduction

1. This report summarises the findings from our 2007/08 audit of South West Scotland Community Justice Authority ('the authority') and this is the first year of a four year appointment. Findings are set out in four sections: performance, financial position, governance and financial statements.
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.



# Performance

## Introduction

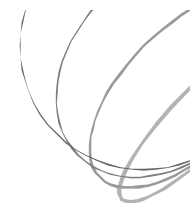
3. In this section we summarise how the authority is developing performance targets.

## Overview of performance in 2007/08

4. 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 will be implemented by April 2009.
5. The authority approved an action plan for 2007/08 which outlined its strategic direction and priorities for the year. An area plan covering the three year period 2008-2011 was submitted to the Scottish Government and approved by ministers.

## Performance outlook

6. 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.



# Financial position

## Introduction

7. 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

8. The authority's total expenditure in 2007/08 was £8.104 million. This was funded mainly from the s27 grant which is paid by the Scottish Government and is split between core and non-core services in accordance with the 2007/08 grant allocation.

## Core Funding

9. During 2007/08, expenditure on core services was £ £6.185 million (including an overhead allowance of 8%) and the s27 grant allocation was £5.852m. The four constituent local authorities will fund the overspend of £333k.

## Non Core Funding

10. The non-core service expenditure was less than the grant allocated to the authority by the Scottish Government. During the year expenditure was £1.927 million, (including an overhead allowance of 8%) while the 2007/08 allocation was £2 million resulting in an underspend of £73k.

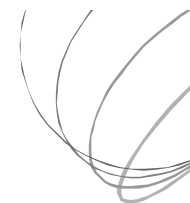
## Administration Grant

11. The authority returned a deficit of £4k at the year end. This will be recovered in 2008/09.

**Action point 1**

## Outlook

12. The authority's s27 grant allocation for next year (2008/09) is £8.584 million, representing an 8% increase on the 2007/08 allocations, however only 4.85% of this relates to core funding.



# Governance

## Introduction

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

## Overview of arrangements in 2007/08

14. 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.
15. The authority's support services are provided by North Ayrshire Council. The authority proposes to adopt or adapt the policies and procedures of the host council, where appropriate.
16. During 2007/08, the authority had no service level agreement in place with North Ayrshire Council for provision of support services. This agreement is currently being progressed.
17. In addition there is no service level agreement with South Ayrshire Council for provision of legal services. Again, this agreement is currently being progressed.

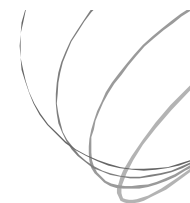
### **Action point 2**

18. In its first year of operation, the authority has made good progress in developing its governance framework. A freedom of information publication scheme has been approved and a register of interests and risk register has been established. We plan to examine the application of these corporate governance arrangements during our audit appointment.
19. As part of the authority's communications strategy, plans are well underway to develop a website. This will be important as a means of ensuring that the public have access to information on the activities and performance of the authority.

### **Action Point 3**

20. As mentioned before the authority's support services are provided by North Ayrshire Council and the council's internal audit function plan to provide internal audit coverage for the authority.





# Financial statements

## Introduction

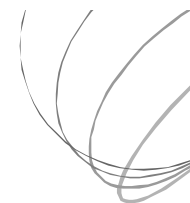
21. In this section we summarise key outcomes from our audit of the authority's financial statements for 2007/08. We comment on the significant accounting issues faced and provide an outlook on future financial reporting issues.
22. We audit the financial statements and give an opinion on whether
  - 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 authority as at 31 March 2008 and of its net operating cost 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.
23. 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

24. We have given an **unqualified** opinion on the financial statements of the South West Scotland Community Justice Authority for 2007/08.
25. The authority's unaudited financial statements were submitted to external audit on 22 August 2008. Final accounts preparation processes and working papers were of a good standard and enabled the audit to progress smoothly. Audited accounts were finalised prior to the target date of 31 October 2008 and will be submitted to ministers in order to be laid before parliament prior to the deadline of 31 December 2008.

## Accounting practice

26. 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').
27. Overall, we were satisfied that the revised accounts presented for audit are in accordance with the SORP.



28. 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 our findings to the chief officer and convenor.
29. Financial reporting standard (FRS) 17 requires that the cost of retirement benefits be recognised in the net cost of services. However it was not considered to be material or cost effective to include this cost for 2007/08 as the authority only employed two members of staff during the year. The chief officer has agreed to review the position in 2008/09 and subsequent years to ensure that this position remains appropriate.

#### **Action Point 4**

## **Regularity**

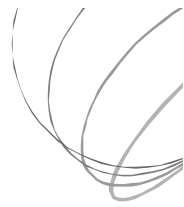
30. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the 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 (the chief officer) as to her view on adherence to enactments and guidance. No significant issues were identified for disclosure.

## **Financial reporting outlook**

### **International financial reporting standard (IFRS) adoption**

31. Central government and NHS bodies are to move from UK generally accepted accounting principles to international financial reporting standards 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.

#### **Action Point 5**



# Final Remarks

32. 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.
33. 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.
34. The co-operation and assistance given to us by South West Scotland Community Justice Authority staff and members and staff in North Ayrshire Council as host council 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	11	The deficit of £4K made in 2007/08 should be recovered in 2008/09.	This will be recovered in 2008/09.	CJA Chief Officer	March 2009
2	17 & 18	The authority should finalise appropriate service level agreements with North Ayrshire Council and South Ayrshire Council.	Agreements are being drafted at present.	CJA Chief Officer	December 2008
3	19	The authority should ensure that its website is developed in a way that provides users with clear information on its activities and performance. Agendas and minutes of authority meetings should be made available here.	The website will be launched on 10 December 2008.	CJA Planning Officer and Chief Officer	December 2008
4	29	For 2007/08 it was considered not to be necessary to include FRS17 pension costs in the accounts due to cost and materiality issues. This should be reviewed in 2008/09 to ensure it is still appropriate.	Will be considered as part of 2008/09 accounts process.	CJA Chief Officer	April 2009
5	31	Arrangements should be put in place to ensure that any changes in accounting requirements as a result of IFRS are properly implemented.	The position will be monitored.	CJA Chief Officer	Dec 2009