

Tayside Community Justice Authority

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

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Key Messages

Introduction

Tayside Community Justice Authority (the authority) was established 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 Tayside Community Justice Authority. This is the first year of a four year audit appointment. We have 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 Tayside Community Justice Authority.

Outlook for future audits

As a relatively new body the Tayside 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.

**Audit Scotland
November 2008**



Introduction

1. This report summarises the findings from our 2007/08 audit of Tayside Community Justice Authority (the authority), 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 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 Tayside Community Justice Authority for 2007/08.
7. The authority's unaudited financial statements were submitted to external audit on 5 September 2008 and audited accounts were finalised by the target date of 31 October 2008. The audited accounts will be submitted to Ministers in order to be laid before the Scottish Parliament prior to the deadline of 31 December 2008.

Accounting practice

8. 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').
9. Overall, we were satisfied that the authority had prepared the accounts in accordance with the SORP.



10. We have reported to the Accountable Officer in line with International Standard on Auditing 260 (ISA 260) *communication of audit matters with those charged with governance*. There were no material weaknesses in the accounting and internal control systems identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data and no significant changes were required between the unaudited and audited accounts.
11. We note that no provision has been made in the accounts for pension liabilities under Financial Reporting Standard (FRS)17 – retirement benefits. We understand the reasons for this to be the immateriality of any such provision, as well as the cost involved in obtaining a FRS17 valuation from the actuary. Although the authority only employs three members of staff, there is a risk that, over time, pension liabilities will become significant and that the accounts will be misstated.

Refer Action Point 1

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 her 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 community justice authorities will adopt IFRS given that these are central government bodies following local government accounting practice. This issue will require further clarification during 2008/09.

Refer Action Point 2



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 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 authority's total expenditure in 2007/08 was £8.115 million. This was funded through the Scottish Government Section 27 Criminal Justice Grant of £7.925 million and an administration grant of £0.190 million. The Section 27 grant is split between core and non-core services in accordance with the 2007/08 grant allocation. The authority disbursed the Section 27 grant to constituent councils as follows:

- Angus Council - £1.256 million
- Perth & Kinross Council - £1.259 million and
- Dundee City Council - £5.410 million.

16. The authority received an allocation of £8.046 million from the Scottish Government for Section 27 expenditure but this was restricted to £7.925 million reflecting underspends on a number of non-core projects which finished during the year. The overall spend in relation to core and non-core Section 27 projects and overheads was £8.261 million. There was a difference of £0.336 million between the Section 27 grant received and the actual expenditure incurred. This was funded directly by the constituent councils.

Financial outlook

17. As at October 2008 the authority had secured Section 27 grant allocation for 2008/09 of £8.027 million, a fall of £19,000 from 2007/08. This reduction is partly due to a change in funding for supporting people benefit which will be allocated direct to local authorities in 2008/09. This has been partially offset by New Service Development Funding for Young Offenders of £190,000. The authority will need to closely monitor the provision of services over the year to ensure it achieves maximum benefit from this tighter settlement.

Refer Action point 3



Governance

Introduction

18. 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

19. Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviours. In the Statement on the System of Internal Financial Control the authority reported that it has a "framework of regular management information, financial regulations, administrative procedures (including segregation of duties) management supervision and a system of delegation and accountability."
20. 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. We noted that the Tayside Community Justice Authority has adopted the policies and procedures of Dundee City Council, where appropriate, in the first instance and is working its way through the process of adapting these to better fit its own requirements. A draft risk register was prepared in April 2008 but has not been formally approved as yet. In addition, there is currently no performance appraisal scheme for chief officers.

Refer Action Point 4

22. We were advised that a draft service level agreement was in place with Dundee City Council to provide the authority's support services. There are no formal agreements in place with the constituent authorities social work departments. In addition, it was also noted that constituent authorities do not always have service level agreements in place with voluntary bodies for services provided. There is therefore no assurance that the cost and quality of services to be provided have been agreed between the authority and its providers.

Refer Action point 3

Governance outlook

23. As a relatively new body the Tayside Community Justice Authority is continuing to develop a range of governance processes and policies and we will continue to monitor and review these during 2008/09.



Performance

Introduction

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

Overview of performance in 2007/08

25. 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. This work is still underway and it is anticipated that the national framework will be in place from April 2009.

26. The authority has established three Working Groups to take forward themes in the national strategy:

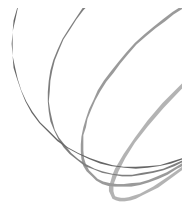
- Statistics – focusing on reducing re-offending
- Outcomes – taking forward the local outcomes framework
- Joint Workforce Development – sharing good practice in training.

27. A paper was presented to the Tayside Community Justice Authority in September 2008 giving an update on the current performance reporting arrangements and outlining the local performance framework which will underpin the national framework and provide more frequent reporting information.

Performance outlook

28. The local performance framework is at an early stage and we will consider the effectiveness of this new approach as part of our 2008/09 audit.

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 Tayside Community Justice Authority and Dundee City Council staff is gratefully acknowledged.



Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
3	17, 22	<p>There are no formal service level agreements in place which would clearly identify the cost of and quality expected in respect of services provided to the authority.</p> <p>Risk – services purchased by the authority may not deliver value for money or meet the service specification expected.</p>	<p>Service Level Agreements between the Authority and Dundee City Council (for professional services) and between Dundee City Council and Voluntary Organisations should be finalised during 2008/09.</p> <p>The SLAs between the Authority and the Constituent Local Authorities will be drafted during 2008/09 for implementation on 1 April 2009.</p>	<p>Chief Officer/ DCC Legal Services</p> <p>DCC CJS Service Manager and DCC Senior Contracts Officer</p> <p>Treasurer/ Chief Officer</p>	31 March 2009
4	21	<p>We noted that the authority has adopted and is adapting the policies and procedures of Dundee City Council, where appropriate. A draft risk register was prepared in April 2008 but has not been formally approved as yet. In addition, there is currently no performance appraisal scheme for chief officers.</p> <p>Risk - As a new organisation, governance processes may not be fully embedded leading to potential weaknesses in controls.</p>	<p>The risk register was approved by the CJA in September 2008.</p> <p>The Scottish Government is currently in discussions with the CJA Convenors regarding the Performance Appraisal Scheme.</p>	<p>N/A</p> <p>DCC Chief Personnel Officer/ Convenor of CJA</p>	<p>N/A</p> <p>30 June 2009</p>