

Glasgow Community Justice Authority

**Report to Members and the Auditor General
on the 2008/09 Audit**

October 2009



 AUDIT SCOTLAND

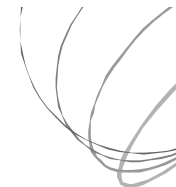
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Key Messages

Introduction

Glasgow Community Justice 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.

In 2008/09 we audited Glasgow Community Justice Authority's financial statements and governance arrangements. This report sets out our main findings, summarising key outcomes from the 2008/09 audit and the outlook for the period ahead.

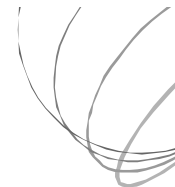
Key outcomes from 2008/09 audit

We have given an unqualified opinion on the financial statements of Glasgow Community Justice Authority for 2008/09.

Outlook

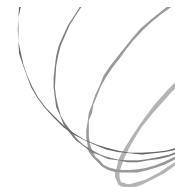
The Authority started to develop its governance processes last year and produced a governance framework and related action plan. The action plan shows that good progress has been made but there has been slippage in a few areas which we will continue to monitor.

The role of Chief Officer became vacant in August 2008 with recruitment campaigns undertaken in August and October 2008. However, the post remains vacant and is currently being filled by the former Planning and Development Officer in an acting up capacity. The Authority expects to re-advertise the position in February 2010.



Introduction

1. This report is the summary of our findings arising from the 2008/09 audit of Glasgow Community Justice Authority. The report focuses mainly on the Authority's financial statements and addresses any significant findings that have arisen throughout the year. The scope of the audit was set out in the annual audit plan issued on 6 February 2009.
2. The financial statements are the means by which the Authority accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. It is the responsibility of the Authority to prepare financial statements that give a true and fair view of the state of affairs of the body as at 31 March 2009 and of its net operating cost and cash flows for the year ended and that the expenditure and receipts were incurred or applied in accordance with enactments and guidance.
3. Members and officers are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the Authority's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests
 - the Authority has adequate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability
 - the systems of internal control provide an appropriate means of preventing or detecting material misstatement, error, fraud or corruption.
4. This report is addressed to members and the Auditor General.



Financial statements

Introduction

5. In this section we summarise key outcomes from our audit of the Authority's financial statements for 2008/09.
6. We audit the financial statements and give an opinion on:
 - whether they give 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 2009 and of its net operating cost and cash flows for the year then ended
 - whether they have been prepared properly in accordance with the Management of Offenders etc. (Scotland) Act 2005 and regulations made thereunder.
7. 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 governance and internal financial control and assessing whether disclosures in the statement are consistent with our knowledge.

Audit Opinion

8. We have given an **unqualified** opinion that the financial statements of Glasgow Community Justice Authority for 2008/09 give a true and fair view of the state of affairs of the body as at 31 March 2009 and of its net operating cost and cash flows for the year then ended and that the expenditure and receipts were incurred or applied in accordance with enactments and guidance.
9. We were satisfied with disclosures made in the statement on the system of internal financial control and the adequacy of the process put in place by the Authority to obtain assurances on systems of control.
10. The Authority's unaudited financial statements were submitted to external audit by the deadline of 30 June. There were a number of arithmetic errors and inconsistencies in the initial draft of the accounts that had to be amended as part of the audit process. Audited accounts were finalised prior to the target date of 31 October 2009 and will be submitted to Ministers in order to be laid before the Scottish Parliament prior to the deadline of 31 December 2009. The financial statements are an essential means by which the council accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.



Accounting issues

11. 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). No major changes were introduced by the 2008 SORP. We were satisfied that the Authority prepared the accounts in accordance with the 2008 SORP.

Pension Disclosures

12. Glasgow Community Justice Authority was admitted into the Strathclyde Pension Fund in 2008/09. The Authority obtained an actuarial report under FRS17 for the first time in 2008/09 and this has been reflected in the financial statements.

Prevention and detection of fraud and irregularities

13. The Authority does not have in place its own arrangements for the prevention and detection of fraud and corruption, but complies with the relevant policies of Glasgow City Council.

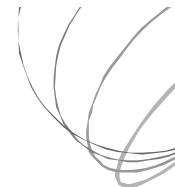
Regularity

14. 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 items were identified for disclosure.

Financial reporting outlook

15. 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. Although the community justice authority is a central government body, it follows local government accounting practice so it is expected to adopt IFRS for 2010/11.

Action Point 1



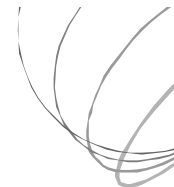
Use of resources

Financial results

16. In 2008/09, the Authority's total expenditure was £18.444 million. This was met mainly by the s27 criminal justice grant of £17.956 million paid by the Scottish Government. The s27 grant is split between core and non-core services in accordance with the 2008/09 grant allocation.
17. The Authority spent in excess of its grant allocation with regard to core funding. The excess expenditure of £0.212 million was met by Glasgow City Council Social Work Services.

Outlook

18. The authority's s27 grant allocation for next year (2009/10) is £18.3 million, this is an increase of 1.92% on 2008/09.
19. Additional national funding of £1.5 million has been granted for 2009/10 for the delivery of community service orders – of which the Authority's allocation is £244,529. This national funding is expected to rise to £4 million for 2010/11 in the lead up to the introduction of Community Payback Orders.



Governance and accountability

Overview of arrangements in 2008/09

20. We believe that an effective organisation is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers.
21. The Authority has a responsibility to put in place arrangements for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice. As auditor I have responsibility to report on the Authority's corporate governance arrangements and review the statement on the system of internal financial control.
22. The Glasgow CJA Corporate Governance Framework and action plan were approved in November 2008, with around 50% of actions completed. Some of the remaining actions are subject to Scottish Government clarification including the status of the accountable officer and responsibility for the performance appraisal of the chief officer.

Action Point 2

23. In accordance with the Authority's minute of agreement, financial transactions are processed through Glasgow City Council's financial systems. It is the responsibility of the council's management to maintain adequate financial systems and associated internal controls, both for the purpose of giving an opinion on the statements of accounts, and in order to report on the adequacy of such systems and controls.
24. My review of these statements was conducted as part of the audit of Glasgow City Council and supplemented by specific audit work on the Authority's financial statements. My conclusions are that overall, Glasgow City Council's financial systems are adequate for the purpose of producing the financial statements. No areas of concern were identified relating to the transactions.
25. The statement on the system of internal financial control states that reasonable assurance can be placed upon the adequacy and effectiveness of the Authority's internal financial control system. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.



Performance Management and Improvement

26. The Scottish Government Justice Department have developed measures that determine the progress authorities have made against the outcomes set out in the National Strategy for the Management of Offenders.
27. Glasgow CJA has an integrated performance framework which combines the agreed national measures with Scotland wide indicators, agreed by all CJAs, and more local measures. The local measures are currently being developed with partners. It is anticipated that a final report on this framework will go to the Board in November 2009.

Action Point 3

28. CJAs performance management framework recognises that most of the outcomes that will make a difference for communities, offenders, and the justice system, are delivered through joint action which extends across Community Planning Partnerships and not criminal justice agencies alone.

Performance outlook

29. CJAs are currently in discussions with the Scottish Government regarding the status of indicators based on the new proposals within Protecting Scotland's Communities: Fair, Fast and Flexible Justice. All CJAs are also working together to review how the CJA framework can be more clearly integrated and aligned with Single Outcome Agreements.



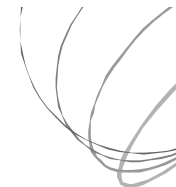
Final Remarks

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 2009/10 audit.

32. The co-operation and assistance given to us by Glasgow Community Justice Authority staff is gratefully acknowledged.





Appendix A

External audit reports and audit opinions issued for 2008/09

Title of report or opinion	Date of issue	Date presented to committee
Annual Audit Plan	6/2/09	-
Report on financial statements to those charged with governance	17/9/09	-
Audit opinion on the 2008/09 financial statements	17/9/09	-
Report to members	23/10/09	3/11/09



Appendix B Action Plan

Key Risk Areas and Planned Management Action

Action Point	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	<p>IFRS</p> <p>The authority needs to plan arrangements for managing the introduction of IFRS.</p> <p><i>Risk: The authority may not be prepared for producing IFRS compliant financial statements.</i></p>	Clarify the timetable and actions for the implementation of IFRS.	CJA Financial Advisor	March 2010
2.	<p>Governance Framework</p> <p>The governance action plan shows that 50% of actions have been completed.</p> <p><i>Risk: Governance processes may not be fully embedded leading to potential weaknesses in controls.</i></p>	Continue to monitor the action plan that has been developed by the community justice authority.	Chief Officer	December 2009
3.	<p>Performance Framework</p> <p>Local measures are progressing and are currently being developed with the authority's partners.</p> <p><i>Risk: In the absence of local performance measures the Board is unable to assess the complete performance of the authority.</i></p>	A suite of local performance measures and a form for reporting against these measures should be presented to the Board and implemented.	Chief Officer	November 2009