

Tayside Community Justice Authority

**Report to Members and the Auditor General
on the 2009/10 Audit**

November 2010



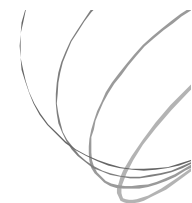
AUDIT SCOTLAND

Tayside Community Justice Authority

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Key Messages

Introduction

Tayside 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 local authorities and their statutory partners who co-ordinate offender services.

In 2009/10 we audited Tayside Community Justice Authority's financial statements and looked at aspects of its governance arrangements. This report sets out our main findings, summarising key outcomes from the 2009/10 audit and the outlook for the period ahead.

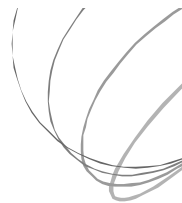
Key outcomes from the 2009/10 audit

We have given an unqualified opinion on the financial statements of Tayside Community Justice Authority for 2009/10.

Outlook

The authority will not be immune from the financial pressures facing the public sector. Robust financial planning will be required to ensure full delivery of the authority's action plan.

From next year Community Payback Orders (CPOs) will be replacing a range of existing community penalties. A significant increase in the volume of workload for Criminal Justice Social Work Services is anticipated.



Introduction

1. This report summarises the findings from the 2009/10 audit of Tayside Community Justice Authority (the authority). 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 the 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 2009/10, aspects of the authority's reported financial position and performance to 31 March 2010 and provide an outlook on future financial 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 2010 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 2009/10.
7. The authority's unaudited financial statements were submitted to external audit by the 30 September 2010 and the audited accounts were finalised by the target date of 31 October 2010. The audited accounts will be submitted to Ministers in order to be laid before the Scottish Parliament prior to the deadline of 31 December 2010.

Accounting issues

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 accordance 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 audited and unaudited accounts.

11. In line with previous years no provision has been made in the 2009/10 accounts for pension liabilities under Financial Reporting Standard (FRS) 17 - retirement benefits given the immateriality of any such provision, as well as the cost involved in obtaining a FRS 17 valuation from the actuary. This approach is consistent with the majority of Community Justice Authorities and it will continue to be monitored by the authorities with a view to including such a provision should costs become more significant.

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 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.

Operating performance 2009/10

13. The authority's total expenditure in 2009/10 was £8.278 million. This was funded through the Scottish Government Section 27 Criminal Justice Grant of £8.056 million and an administration grant of £0.222 million. The Section 27 grant is split between core and non-core services in accordance with the 2009/10 grant allocation. The authority disbursed the Section 27 grant to constituent councils as follows:
 - Angus Council - £1.437 million
 - Dundee City Council £5.220 million, and
 - Perth and Kinross Council - £1.386 million.
14. The authority received an allocation of £8.056 million from the Scottish Government from the Scottish Government for Section 27 expenditure. The authority is entitled to the lower of actual spend or total allocation and this was therefore restricted to ££8.056 million. The overall spend in relation to core and non-core Section 27 projects and overheads was £8.530 million. There was a difference of £0.474 million between the Section 27 grant received and the actual expenditure incurred. This was funded directly by the constituent councils.



Financial outlook

Financial planning

15. The financial challenges facing the Scottish public sector are well documented, with public bodies facing deep and prolonged cuts in funding. In June 2010 the new UK Government set out an Emergency Budget, planning for a period of significant fiscal consolidation. It immediately implemented £6 billion of UK budget reductions. The Scottish Government agreed that it would defer its share of these 2010/11 cuts (estimated at £332 million) until 2011/12, and will have to implement these alongside continuing reductions in the Scottish budget.
16. There remains uncertainty about what the financial implications for the Tayside Community Justice Authority will be. The UK Government published its comprehensive spending review on 20 October and the Scottish Government will publish the results of its own review in mid November. A key issue will be the extent to which some priority services, particularly health, may be protected from budget reductions.
17. The authority will not be immune from the financial pressures facing the public sector. It will need robust information about activity, costs and performance to identify ways of more effectively delivering services with decreasing levels of income. The authority may wish to consider developing a “recession impact action plan” to help address the future funding difficulties.

Action plan 1

18. The Criminal Justice and Licensing (Scotland) Bill which was passed on 30 June 2010 by the Scottish Parliament will introduce a number of significant reforms to the Criminal Justice system. One such reform is the introduction of Community Payback Orders (CPOs) to replace a range of existing community penalties. A significant increase in the volume of workload for Criminal Justice Social Work Services is anticipated. Additional funding has been granted for 2010/11 to assist in the introduction of Community Payback Orders. In respect of Tayside Community Justice Authority this amounted to an additional £0.109 million.



Governance and accountability

Overview of arrangements in place in 2009/10

19. 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.
20. 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 a responsibility to report on the Authority's corporate governance arrangements and review the statement on the system of financial control.
21. The role of Chief Officer became vacant in March 2010. A Temporary Chief Officer was appointed pending the recruitment of a new Chief Officer. The recruitment process has now been concluded and the new Chief Officer will take up post on 1 November 2010.
22. The authority commissions support services from Dundee City Council under a service level agreement. These are paid for by the CJA Administration budget.
23. Financial transactions are processed through Dundee City Council's financial systems. It is the responsibility of the council's management to maintain adequate financial systems and associated internal controls. I review these arrangements both for the purpose of giving an opinion on the statements of accounts and, and in order to report on the adequacy of such systems of controls. My review was conducted as part of the audit of Dundee City Council and supplemented by specific work on the authority's financial statements. My conclusions are that overall, Dundee 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.
24. The statement on the system of internal financial control states that management are not aware of any significant weaknesses or failures in the authority's system of internal financial control that could have a material impact on the operations of the authority. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.



Performance

Introduction

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

Overview of performance in 2009/10

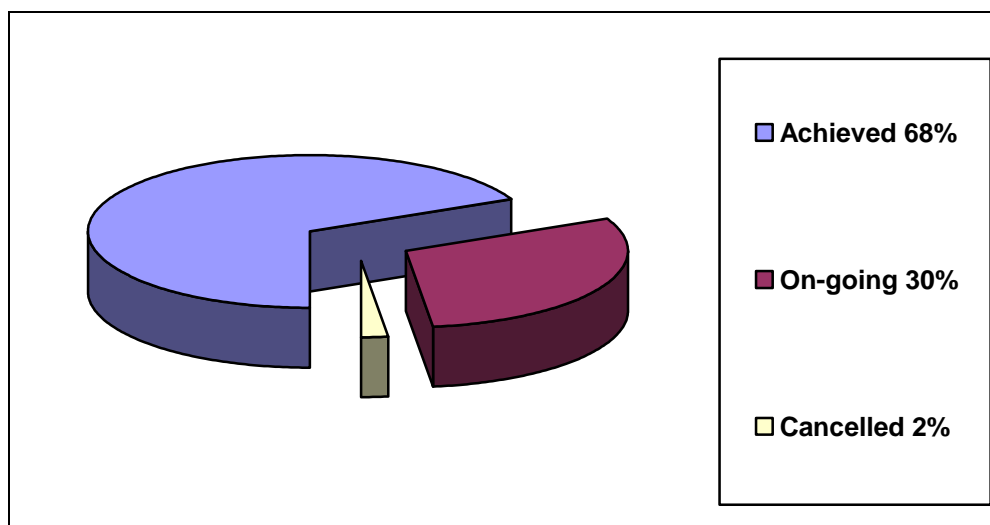
26. A local performance framework based on the 14 outcomes set out in the National Strategy for the Management of Offenders (NSMoO) was adopted by the authority in September 2008. As well as the national outcomes, the local framework also includes progress on the actions in the annual Tayside Community Justice Authority Action Plan.

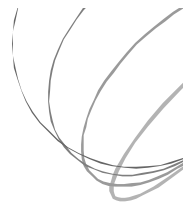
27. In March 2010 the authority approved a suite of performance indicators. The indicators are set out against each of the 14 NSMoO outcomes and the themes included in the Scottish Government's "*Protecting Scotland's Communities: Fair, Fast and Flexible Justice*". These will be monitored quarterly and/or annually as appropriate.

28. Exhibit 1 summarises progress against the action points in the 2009/10 action plan. The authority has made good progress in delivering its action plan with 68% of the actions being completed and 30% continuing into 2010/11. One action was cancelled due to a lack of funding. The 2010/11 action plan was approved by the authority in September 2010.

Exhibit 1

Achievement of Tayside Community Justice Authority's targets 2009/10





Final remarks

29. Attached to this section is an action plan setting out 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 specified 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.
30. 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 2010/11 audit.
31. The co-operation and assistance given to us by Tayside Community Justice Authority staff 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	17	<p>Financial pressures</p> <p>The authority will not be immune from the financial pressures facing the public sector. It will need robust information about activity, costs and performance to identify ways of more effectively delivering services with decreasing levels of income.</p> <p><i>Risk: The authority is unable to fully deliver the action set out in its action plan.</i></p>	<p>The Authority has established a Core Services Review Group to review the approach to core funding, as well as taking into account non-core funds, and to analyse information regarding unit costs, outcomes and quality of service. The Authority will consult with the three Local Authorities once the grant allocation is received to determine the impact on the delivery of services.</p>	Chief Officer	31 March 2011