

Glasgow Community Justice Authority

Annual report on the 2010/11 audit



Prepared for Glasgow Community Justice Authority and the Auditor General for Scotland
November 2011

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Key messages

2010/11

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 2010/11 we audited Glasgow Community Justice Authority's financial statements and governance arrangements. This report sets our main findings, summarising key outcomes from the 2010/11 audit and the outlook for the period ahead.

Key outcomes from 2010/11 audit

We have given an unqualified opinion on the financial statements of Glasgow Community Justice Authority for 2010/11.

Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Glasgow Community Justice Authority. The purpose of the annual audit report is to set out concisely the scope, nature and extent of the audit, and to summarise the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The report is divided into sections which reflect the extent of our public sector audit model.
2. A number of reports have been issued in the course of the year in which we make recommendations for improvements (Appendix A). We do not repeat all of the findings in this report, but instead we focus on the financial statements and any significant findings from our wider review of Glasgow Community Justice Authority.
3. Appendix B is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the Authority understands its risks and has arrangements in place to manage these risks. The Board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is addressed to members and the Auditor General and should form a key part of discussions with audit committees, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
5. This report will be published on our website after consideration by the Authority.
6. The management of the audited body is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Financial statements

7. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
8. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
 - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
 - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of the expenditure and income.
9. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary and the statement on internal control. This section summarises the results of our audit on the financial statements.

Audit opinion

10. We have given an unqualified opinion that the financial statements of Glasgow Community Justice Authority for 2010/11 give a true and fair view of the state of affairs of the body as at 31 March 2011, 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.
11. Community justice authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the 2010 Code). We are satisfied that the Authority prepared the accounts in accordance with the 2010 Code.

Going concern

12. Auditing standards require auditors to consider an organisation's ability to continue as a going concern when forming an opinion on the financial statements. One of the indicators that may give rise to going concern considerations is an excess of liabilities over assets. The Authority's balance sheet at 31 March 2011 shows net liabilities of £31,000 (2009/10 £61,000).
13. The net liability position is due to the requirements of International Accounting Standard 19 (Employee Benefits). Under IAS 19 there is an obligation to recognise the Authority's full pension obligations in the year they are earned. In accounting for pensions, IAS 19 is based on the principle that an organisation should account for retirement benefits at the point at which it commits to paying them, even if the actual payment will be made years into the future. This requirement results in large future liabilities being recognised in the annual accounts. This technical accounting requirement has had no impact on the underlying basis for meeting current and ongoing pension liabilities which will be met from employer's contributions and

investment returns. In common with similar bodies, the Authority has considered it appropriate to adopt a going concern basis for the preparation of the financial statements.

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.

Statement on internal control

15. We are satisfied with disclosures made in the statement on the system on internal financial control and the adequacy of the process put in place by the Authority to obtain necessary assurances.

Accounting issues

Accounts submission

16. The financial statements were submitted for audit in accordance with a pre-agreed timetable. The audit fieldwork was completed and matters arising from this work was reported to the Chief Officer on 19 September. This enabled us to conclude the audit and certify the financial statements by the target date of 31 October 2011. The financial statements are now available for presentation to members and publication.

Pension costs

17. Glasgow Community Justice Authority is an admitted member of the Strathclyde Pension Fund and has been since 2008/09. In accordance with pensions accounting standard IAS19 'Employee Benefits' the Authority has recognised its share of the net liabilities for the pension fund in the balance sheet.

Audit appointment for 2011/12

18. Audit appointments are made by the Auditor General, either to Audit Scotland staff or to private firms of accountants for a five year term. 2010/11 is the last year of the current audit appointment. The procurement process for the next five years was completed in May 2011. From next year (2011/12) Audit Scotland will again be the appointed auditor for Glasgow Community Justice Authority and we look forward to continuing the good working relationships that exist.

Financial position

19. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
20. Auditors consider whether audited bodies have established adequate arrangements and examine:
 - financial performance in the period under audit
 - compliance with any statutory financial requirements and financial targets
 - ability to meet known or contingent, statutory and other financial obligations
 - responses to developments which may have an impact on the financial position
 - financial plans for future periods.
21. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

Financial results 2010/11

22. In 2010/11, the Authority's total expenditure was £19.334 million. This was met mainly by the Section 27 criminal justice grant of £18.822 million paid by the Scottish Government. The s27 grant is split between core and non-core services in accordance with the 2010/11 grant allocation.
23. The Authority spent in excess of its grant allocation with regard to core funding. The excess expenditure of £0.261 million was met by Glasgow City Council social work services. However, Glasgow City Council funding for criminal justice activity will be removed in 2011/12.

Refer Action Plan no. 1

Partnership working

24. There are a range of statutory partners who work together with the Authority to deliver services. The Authority 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.

Outlook

2011/12 budget

25. The Authority's s27 grant allocation for next year (2011/12) is £18.453 million; this is a decrease of less than 1% on 2010/11. No inflationary uplift has been applied to either core or non-core allocations due to tight funding constraints.

Governance and accountability

26. The three fundamental principles of corporate governance – openness, integrity and accountability – apply to all audited bodies, whether their members are elected or appointed, or whether they comprise groups of people or an individual accountable officer.
27. Through its accountable officer, each body is responsible for establishing arrangements for ensuring the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies usually involve those charged with governance (including audit committees or similar groups) in monitoring these arrangements.
28. Consistent with the wider scope of public audit, auditors have a responsibility to review and report on audited bodies' corporate governance arrangements as they relate to:
 - corporate governance and systems of internal control
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption
29. In this part of the report we comment on key areas of governance.

Corporate governance

Processes and committees

30. Glasgow Community Justice Authority covers the same area as the Glasgow City Council boundary. Local authority councillors are full members of the Authority as only elected members of the local authorities can be members. The Authority has seven board members chaired by the convener.
31. The Authority meets quarterly at the City Chambers and these board meetings are open to the public.

Internal control

32. 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. Our review was conducted as part of the audit of Glasgow City Council and supplemented by specific audit work on the Authority's financial statements. Our conclusion was 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.

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33. 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.

Prevention and detection of fraud and irregularities

34. 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.

Standards of conduct and arrangements for the prevention/ detection of bribery and corruption

35. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. We have concluded that the arrangements in Glasgow Community Justice Authority are satisfactory and we are not aware of any specific issues that we need to identify in this report.

Roles and relationships

36. The role of Chief Officer has recently become vacant with a recruitment campaign currently underway. Chief Officer duties are being temporarily covered by the Authority's Planning and Development Officer whilst the recruitment for this position is undertaken.

Best Value, use of resources and performance

37. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
38. The Auditor General may require that auditors consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where no requirements are specified for auditors in a period they may, in conjunction with their audited bodies, agree to undertake local work in this area.
39. As part of their statutory responsibilities, the Auditor General and the Accounts Commission may procure, through Audit Scotland, examinations of the use of resources by audited bodies and publish reports or guidance. Auditors may be requested from time to time to participate in:
 - a performance audit which may result in the publication of a national report
 - an examination of the implications of a particular topic or performance audit for an audited body at local level
 - a review of a body's response to national recommendations.
40. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments.
41. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.
42. This section includes a commentary on the Best Value/ performance management arrangements within the Authority. We also note any headline performance outcomes and measures used by the Authority and comment on any relevant national reports.

Management arrangements

Best Value

43. In March 2011, the Scottish Government issued new guidance for accountable officers on Best Value in Public Services. The new guidance, in essence, required public bodies to take a systematic approach to self-evaluation and continuous improvement.
44. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Best value, but notes that implementation should be appropriate and proportionate to the priorities, operating environment, scale and nature of the body's business.

45. The five themes and two cross-cutting themes (some of which we have commented on earlier in this report) are:
- vision and leadership
 - effective partnership
 - governance and accountability
 - use of resources
 - performance management
 - equality (cross-cutting)
 - sustainability (cross-cutting).

Performance management

46. The Scottish Government Justice Department originally developed measures that determined the progress authorities made against the outcomes set out in the National Strategy for the Management of Offenders. However this has now been superseded by “Fair, Fast and Flexible Justice”, which sets out the national direction for offender management policy.
47. The Authority has an integrated performance framework originally developed in partnership with the Scottish Government in 2007/08. This integrated framework combines the agreed national measures with Scotland wide indicators, agreed by all CJAs, and more local measures. This framework is currently being reviewed.
48. The Authority is currently progressing their new area plan through a number of action groups. Measures are being developed to monitor progress against each action. Reviews of partner statistics, in addition to this monitoring forms the focus of the local performance reporting structure.

National performance reports

49. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland.

An overview of Scotland's criminal justice system

50. This report provides an overview of the criminal justice system in Scotland. For the purpose of this audit the criminal justice system was defined from when the police identify someone they consider has committed some criminal activity until that person leaves the criminal justice system. Key messages in the report include the following:
- There have been significant changes to the criminal justice system since devolution, which have delivered major reform but have also contributed to its complexity. It is difficult to manage criminal justice processes as a whole system because of the number of bodies involved and their different accountabilities. However, joint working has improved in recent years.

- The operation of Scotland's criminal justice system cost an estimated £857 million in 2009/10. The scale of the budget reductions, combined with increasing cost pressures in some areas and limited control over demand mean there are risks to the long-term sustainability of criminal justice services.
- There are significant inefficiencies in the criminal justice system. Incompatible inefficiencies in processing cases cost the criminal justice system at least £10 million in 2009/10. Repeated delays in processing cases can also have a negative effect on people's confidence in the system.
- Reoffending is a continuing problem in Scotland. Most prisoners are reoffenders; over two-thirds of those sent to prison in 2009/10 had five or more previous convictions. Less than 10 per cent of estimated criminal justice spend - around £81 million in 2009/10 - is spent directly on services to reduce reoffending.

Outlook

51. A national Policy Performance and Communication Group has been set up which is a new sub group of the Chief Officer Group. A key priority of this group is reviewing the performance measurement/management activity of CJAs to date and progressing this.

Appendix A: audit reports

External audit reports and audit opinions issued for 2010/11

Title of report or opinion	Date of issue
Annual Audit Plan – Glasgow CJA	1 February 2011
Report on financial statements to those charged with governance	12 October 2011
Audit opinion on the 2010/11 financial statements	13 October 2011

Appendix B: action plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	23	<p>Funding</p> <p>Glasgow City Council funding for criminal justice activity will be removed in 2011/12.</p> <p>Risk. Glasgow CJA will not have the resources needed to maintain current levels of service provision and meet its statutory requirements.</p>	<p>Work has been underway to bring expenditure within the s27 budget and based on current projections there will be no overspend in 2011/12.</p>	Chief Officer (or equivalent)	31 March 2012