

# Glasgow Community Justice Authority

## Annual report on the 2011/12 audit



Prepared for Prepared for Members of Glasgow Community Justice Authority  
and the Auditor General  
November 2012

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# Key messages

We have completed our audit of the 2011/12 financial statements and considered aspects of governance within Glasgow Community Justice Authority (the Authority). This report sets out our main findings.

Overall, we found the financial stewardship of the Authority during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- an unqualified opinion has been issued on the financial statements for 2011/12
- the Authority has a sound corporate governance framework
- the performance management arrangements to support the 2011-14 Area Plan are continuing to be developed.

We are also satisfied with disclosures made in the statement on the system of internal financial control.

## Outlook

A national review of Community Justice spending is underway, with a focus now moving to outcomes. A funding review for the Glasgow Community Justice Authority is expected to be presented to the Board at the meeting of 4 December 2012. The 2012/13 grant allocation for the Glasgow Community Justice Authority shows a decline in the Section 27 grant from £18.4m to £18.2m. The administration grant remains constant at £220,000. Service projections predict that demand will continue to increase, indicating that there is likely to be increasing pressure on elements of the budget.

# Introduction

1. This report is the summary of our findings from the 2011/12 audit of the Glasgow Community Justice Authority (the 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 opinion on the financial statements 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 and these are detailed at 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 the 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, we expect the Authority to understand its risks and have arrangements in place to manage these risks. The Chief Officer and other members of the Board 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 the Glasgow Community Justice Authority and the Auditor General and should form a key part of discussions with the Board. The report 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 Board.
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 our 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. We 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. We review and report on, as appropriate, other information published with the financial statements, including the Chief Officer's Report and the Statement on the System of Internal Financial 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 2011/12 give a true and fair view of the state of the body's affairs and its net operating cost for the year. The Authority is required to follow the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and we confirmed that the financial statements have been properly prepared in accordance with the Code and in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder by Scottish Ministers. We also confirmed that information given in the Chief Officer's report was consistent with the financial statements.

## Regularity

11. In accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000, we have also provided an opinion, that in all material respects, the expenditure and receipts in the financial statements were incurred or applied in accordance with applicable enactments and guidance. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Chief Officer as to his view on adherence to relevant legislation and regulations. No significant items were identified for disclosure.

## 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. The Community Justice

Authority has considered it appropriate to adopt a going concern basis for the preparation of the financial statements.

### Statement on the System of Internal Financial Control

13. The Community Justice Authority's financial transactions are processed through Glasgow City Council's financial systems. Our review of these systems was conducted as part of the audit of Glasgow City Council, supplemented by specific audit work on the Community Justice Authority's financial statements.
14. We are satisfied with the disclosures made in the Statement on the System of Internal Financial Control and the adequacy of the process put in place by the Chief Officer to obtain the necessary assurances.

### Remuneration report

15. The Scottish Government has issued guidance to Community Justice Authorities which advised on the expectation that Community Justice Authorities would prepare for the first time a remuneration report in 2011/12. From guidance issued, the remuneration report should detail for senior officers and senior councillors, remuneration paid, benefits paid, bonuses paid and pension benefits. As this guidance is not statutory, the Authority did not prepare a report for the 2011/12 financial statements but has agreed to include a remuneration report in the 2012/13 financial statements.

### Chief Officer's Report

16. The financial statements of a Community Justice Authority should include, amongst other statements, an explanatory foreward. This is represented by the Chief Officer's Report in the Authority's financial statements. This should provide the reader of the accounts with an easy guide to the financial statements, an explanation of the income and expenditure and further information of the impact of potential funding restrictions and plans to address. While the current content of the Chief Officer's Report is in the main adequate, there is scope to further enhance the nature of information provided to the readers of the accounts. This is an area for future development.

**Refer Action point 1**

### Accounting issues

17. We are satisfied that the Community Justice Authority has prepared the 2011/12 financial statements in accordance with the Code and in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder by the Scottish Ministers.

18. The Code requires bodies to provide for liabilities arising from employee benefits payable at the balance sheet date. This includes items such as untaken annual leave and flexitime. However, as there were only 2 members of staff in post at the year end, this has not been done for the Glasgow Community Justice Authority. We accept that for 2011/12, this would not have been material and that the Authority has agreed to adopt this practise for the 2012/13 financial statements.

### Accounts preparation & submission

19. The Community Justice Authority's financial statements were submitted for audit by the deadline of 30 September 2012.

### Outlook

20. Following the Local Government Elections in May 2012, a new Board for the Authority was appointed. They met for the first time in June 2012. At this meeting, new members were provided with an induction pack for the Authority and a half day induction event was held in August 2012 for members and partner organisations. Against a back drop of future budget challenges and service pressures, ongoing member training and support will be important.



# Financial position

21. Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based.
22. We 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.
23. These are key areas in the current economic circumstances. This section summarises the financial position and outlook for the organisation.

## Financial results

### Financial position

24. In 2011/12, the Authority's total expenditure was £19.1m. This was met mainly by the Section 27 criminal justice grant of £18.7 m paid by the Scottish Government.
25. The Section 27 grant expenditure final outturn was £18.9m. This represents a £167,000 excess expenditure against the grant allocation. This was funded by Glasgow City Council Social Work. The administration grant final outturn was £209,231. This represents a £10,769 underspend against the grant allocation.
26. The reason for the excess expenditure over the Section 27 grant was a rise in the number of intensive support packages during 2011/12. The cost of these packages tend to be very expensive and it is difficult for the Authority to plan ahead for this type expenditure.

## Outlook

### Budget 2012/13

27. The Section 27 grant allocation for the Glasgow Community Justice Authority in 2012/13 has reduced by £255,000 from £18.4m in 2011/12 to £18.2m. The administration grant remains constant at £220,000. This is against a backdrop on continuing increase in demand for services. Service demand projections suggest there will be increasing pressure on elements of the budget. This further increases the need for difficult decisions to be made in relation to budgets and the risks of adverse impact on services.

## Financial plans

28. There is a national review of criminal justice funding by the Scottish Government underway, including the Section 27 funding formulae. This Government review aims to ensure that funding should be focused on outcomes rather than activities.
29. The Board approved the scoping exercise for the Glasgow Community Justice Authority Funding Review in June 2012. The remit of this review is to focus on areas such as the Authority's funding arrangements, governance and controls and risks. The results of this review are expected to be presented to the Board at the meeting of 4 December 2012.

**Refer action plan no 2**

# Governance and accountability

30. 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.
31. 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 in monitoring these arrangements.
32. Consistent with the wider scope of public audit, we 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.
33. In this part of the report we comment on key areas of governance.

## Relationship with the host Authority

34. The Authority's financial transactions are processed through Glasgow City Council's financial systems. We reviewed the main controls within these systems as part of our 2011/12 audit of Glasgow City Council. This was supplemented by specific audit work on the Authority's financial statements. Our audit of the main financial systems did not highlight any weaknesses in control which would impact on the financial statements.
35. 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 consistent with the findings of our audit.

## Standards of conduct and arrangements for the prevention and detection of fraud and irregularities

36. 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. We consider the arrangements put in place by the Authority are adequate.

# Performance Management

37. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Key parts of these arrangements is the approach to setting corporate objectives and identifying appropriate measures by which progress in achieving these objectives can be monitored and reported .
38. The 2011-14 Area Plan sets out the aims and objectives for the Glasgow Community Justice Authority. The development of a performance framework to support this is underway. Indicators have been developed and some targets were agreed by members in September 2012. There remains however a number of targets still to be developed and we will continue to review progress in this area

**Refer action plan no 3**

39. The absence of a national framework is continuing to create challenges to monitor the progress of local plans. Work is currently underway at a national level to develop a performance framework. The Authority's Chief Officer is represented on this workstream. In the meantime, performance relative to the Authority's 2011-14 Area Plan is being monitored through the regular updating of action plans

## National performance reports

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

## Overview of Scotland's Justice System

41. The Audit Scotland report on the Overview of Scotland's Justice System was issued in September 2011. The main findings of this report were presented to the Board in February 2012 along with details of the work which is underway within the Authority to progress the report's findings.

## Reducing reoffending in Scotland

42. Following on from the overview report of September 2011, Audit Scotland issued a more detailed report, looking specifically at how Scotland deals with people who persistently offend, in November 2012.
43. Reducing reoffending is important in building a "safer and stronger" Scotland, one of the Scottish Government's strategic objectives. Significant amounts of money and many different organisations are involved in attempting to reduce reoffending and the cost of offending to Scottish society is high. There is variation in the range of services provided across the country and there are no agreed measures to assess the performance or impact of Community Justice Authorities. As a result a range of different performance indicators for reporting and presenting data are being used.

44. The Authority should continue the good practice of submitting the main findings of this report to members of the Board along with, if necessary, an action plan for local improvements.

# Appendix A: audit reports

## External audit reports and audit opinions issued for 2011/12

Title of report or opinion	Date of issue
Annual Audit Plan	29 February 2012
Report on financial statements to those charged with governance	25 October 2012
Audit opinion on the 2011/12 financial statements	29 October 2012
Annual Report on Audit to members	20 November 2012

# 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	16	<p><b>Chief Officer's Report</b></p> <p>There is scope to further develop the information included in the Chief Officer's Report to aid understanding of the financial statements and overall performance.</p> <p><b>Risk:</b> The Chief Officer's Report does not enhance the reporting of the key areas of the Authority's performance and main priorities.</p>	The Chief Officer will enhance the Chief Officer's Report to the 2012/13 accounts in line with best practice to ensure a fuller understanding of the financial statements for readers	CJA Chief Officer	June 2013
2	29	<p><b>Future financial pressures</b></p> <p>The value of the Section 27 grant has decreased for 2012/13. The demand for services continues to increase. A funding review is underway and the results are expected to be reported to the Board in Dec 2012.</p> <p><b>Risk:</b> the need to meet future funding gaps may have an adverse impact on services and the Authority's ability to achieve it's objectives.</p>	<p>The Chief Officer will report to the Board the findings of the Section 27 Review, and advise on relevant actions</p> <p>Chief Officer and Criminal Justice Social Work Finance Officers to meet regularly and review budget position – reporting to the Board 6 monthly and in relation to any exceptions</p>	CJA Chief Officer  CJA Chief Officer	December 2012  Ongoing
3	38	<p><b>Performance management</b></p> <p>The performance management framework is still under development. A range of targets have been agreed however a number of</p>	<p>Performance Framework for the Glasgow CJA to be agreed</p> <p>Quarterly performance</p>	CJA Chief Officer  CJA Chief Officer	December 2012  Ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>targets still require to be developed.</p> <p><b>Risk:</b> the aims and objectives of the Authority's Area Plan may not be achieved and progress cannot be regularly monitored and reported.</p>	reports to be provided to the Board		