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Tayside Community Justice Authority

Annual audit report to the members of Tayside Community Justice
Authority and the Auditor General for Scotland

Year ended 31 March 2012

12 November 2012



Contents

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	Page
Executive summary	2
Accounting policies	3
Use of resources	4
Governance	5
Appendices:	
1 Audit Scotland code of audit practice – responsibilities of the Authority	6

About this report

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of the Tayside Community Justice Authority ("the Authority") and is made available to Audit Scotland (together "the beneficiaries"), and has been released to the beneficiaries on the basis that wider disclosure is permitted for information purposes, but that we have not taken account of the wider requirements or circumstances of anyone other than the beneficiaries.

Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

We also draw your attention to the following:

- management of the Authority 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 us are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist; and
- communication by us of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve the Authority management from its responsibility to address the issues raised and to maintain an adequate system of control.



Executive summary

Headlines

Our audit work is undertaken in accordance with Audit Scotland's Code of Audit Practice ("the Code"). This specifies a number of objectives for the audit.

We reported, in our audit strategy, our responsibilities in respect of the audit. The Authority's responsibilities are set out in appendix one.

This report summarises our work for the year ended 31 March 2012.

We wish to record our appreciation of the co-operation and assistance extended to us by Authority and Council staff during the course of our work.

Financial statements

Draft financial statements were provided on 27 September 2012, in line with the agreed timetable. These were primarily complete and of a high standard. Supporting information was received on the same date; the standard of requested analyses was very high and there was evidence of accountability and ownership of working papers. Management responses to all queries were prompt, detailed and accurate and demonstrated a detailed understanding of the financial statements.

We have issued unqualified audit opinions on the 2011-12 financial statements and the regularity of transactions reflected in those financial statements.

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Use of resources

The Authority met its financial targets through appropriate financial planning and management throughout the year. The Authority is responsible for disbursing the annual grant allocation for community justice social work under Section 27 of the Social Work (Scotland) Act 1968. The disbursed grant is prescribed by ring-fenced funding in respect of statutory duties and project-related work.

The Authority disbursed £8.25 million in the year ended 31 March 2012.

Page 4

Governance

The Statement on the System of Internal Financial Control summarises the Authority's governance arrangements. An assessment of the governance and internal control arrangements in respect of the Section 27 grant within the constituent councils was made by the head of criminal justice services within each council, based on completion of a 25 point checklist. The results were primarily positive and two areas were noted for improvement in respect of longer term financial planning and a need for increased testing of business continuity plans.

Page 5

Mandatory communications

We have no significant matters to communicate in respect of audit differences or management representation letter content. There were no adjusted or unadjusted audit differences.

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Financial statements

Accounting policies; technical accounting matters

There have been no changes to accounting policies in 2011-12.

Accounting policies	There have been no changes to accounting policies in 2011-12. The accounting policies for the Authority remain appropriate.
Remuneration report	<p>The Authority prepares financial statements having regard to the IFRS-based <i>Code of Practice on Local Authority Accounting in the United Kingdom 2011-12</i> ("the Code"). There were no significant changes to the Code in 2011-12 which affect the Authority.</p> <p>The Scottish Government issued guidance during the year which recommended that community justice authorities voluntarily prepare a remuneration report in accordance with the Local Authority Accounts (Scotland) Regulations 1985. The Authority has prepared an appropriate remuneration report.</p>
Opening balances	We have considered opening balances as part of our procedures in respect of the year ended 31 March 2012.
Presentation	We suggested a number of minor presentational amendments to the financial statements which have been amended by management.

The Authority met its financial targets through appropriate financial planning and management throughout the year. The Authority is responsible for disbursing the annual grant allocation for community justice social work under Section 27 of the Social Work (Scotland) Act 1968. The disbursed grant is prescribed by ring-fenced funding in respect of statutory duties and project-related work.

The Authority disbursed £8.25 million in the year ended 31 March 2012.

The Authority received confirmation in February 2011 of its 2011-12 grant allocation of £8.07 million. During the year, additional grant allocations were received which increased the total grant income to £8.28 million. In addition, an administration grant of £228,000 was received.

Expenditure was £34,000 below budget, primarily in respect of property costs which were £10,000 less than expected following relocation to new offices in September 2011 and £33,000 reduction in draw down from the project initiation fund by constituent councils.

There is a corresponding reduction in the Section 27 grant drawn-down by the Authority.

In addition to the £8.25 million funds utilised by the constituent local authorities in respect of the Section 27 grant funding, an additional £0.30 million was funded by the authorities directly. The consolidated annual financial statement, which records all community justice social work expenditure by the constituent authorities, reported £8.55 million expenditure in respect of 2011-12.

There was no capital expenditure in respect of 2011-12.

	Actual 2011-12 £'000	Budget 2011-12 £'000	Over / (under) spend £'000
Staff costs	151	150	1
Property costs	13	23	(10)
Supplies and services	28	25	3
Transport costs	4	3	1
Third party payments	5	5	-
Support services	26	22	4
Funds disbursed to constituent authorities	8,251	8,284	(33)
Gross expenditure	8,478	8,512	(34)
CJA administration grant	(225)	(228)	3
Section 27 grant	(8,251)	(8,284)	33
Total income	(8,476)	(8,512)	36
Net (surplus) / deficit	2	-	2



Corporate governance and internal control arrangements

The statement on the System of Internal Financial Control summarises the Authority's governance arrangements. An assessment of the governance and internal control arrangements in respect of the Section 27 grant within the constituent councils was made by the head of criminal justice services within each council, based on completion of a 25 point checklist. The results were primarily positive and two areas were noted for improvement in respect of longer term financial planning and a need for increased testing of business continuity plans.

Standards of conduct and prevention and detection of corruption

Prevention and detection of fraud

Procedures and controls related to fraud are designed and implemented effectively. Expenditure is reviewed and authorised by appropriate management and the members of the Authority. No significant or other fraud or irregularity was identified by management, or through the course of our external audit work.

Appendices

Financial statements

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. Audited bodies are responsible for:

- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority;
- maintaining proper accounting records;
- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the relevant financial reporting framework (eg, the Financial Reporting Manual or an Accounting Code of Practice);
- preparing and publishing with their financial statements an annual governance statement, statement on internal control or statement on internal financial control and a remuneration report; and
- preparing consolidation packs and, in larger bodies, preparing a Whole of Government Accounts return.

Systems of internal control

Audited bodies are responsible for developing and implementing systems of internal control, including risk management, financial, operational and compliance controls. They are required to conduct annual reviews of the effectiveness of their governance, systems of internal control, or internal financial control, and report publicly that they have done so. Such reviews should take account of the work of internal audit and be carried out by those charged with governance, usually through bodies' audit committees.

Prevention and detection of fraud and irregularities

Audited bodies are responsible for establishing arrangements to prevent and detect fraud and other irregularity. This includes:

- developing, promoting and monitoring compliance with standing orders and financial instructions;
- developing and implementing strategies to prevent and detect fraud and other irregularity;
- receiving and investigating alleged breaches of proper standards of financial conduct or fraud and irregularity; and
- participating, when required, in data matching exercises carried out by Audit Scotland.

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

Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and should put proper arrangements in place for:

- implementing and monitoring compliance with appropriate guidance on standards of conduct and codes of conduct for members and officers;
- promoting appropriate values and standards; and
- developing, promoting and monitoring compliance with standing orders and financial instructions.

Audit Scotland code of audit practice – responsibilities of the Authority (continued)

Financial position

Audited bodies are responsible for conducting their affairs and for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified;
- compliance with any statutory financial requirements and achievement of financial targets;
- balances and reserves, including strategies about levels and future use; and
- the impact of planned future policies and foreseeable developments on their financial position.

Best Value

Achievement of Best Value or value for money depends on the existence of sound management arrangements for services, including procedures for planning, appraisal, authorisation and control, accountability and evaluation of the use of resources. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.



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