

# Glasgow Community Justice Authority

## Annual report on the 2013/14 audit



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

November 2014

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# Key Messages

## 2013/14

We have given an unqualified opinion that the financial statements of Glasgow Community Justice Authority for 2013/14 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The Glasgow 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 the council, supplemented by specific audit work on the Authority's financial statements. No material weaknesses in the accounting and internal control systems were identified during the audit. In addition the arrangements for the prevention and detection of fraud were satisfactory during 2013/14.

## Outlook

The authority's initial Section 27 grant allocation of £18.121 million for 2014/15 remains largely unchanged from the 2013/14 initial allocation of £18.184 million (final allocation of £18.368 million). The financial position going forward continues to be challenging with increasing demand for services. This represents a major challenge for the Glasgow Community Justice Authority and expenditure during the year will require to be closely monitored to identify and address any emerging budget pressures or projected overspends at an early stage.

In December 2013, following a period of consultation, the Cabinet Secretary for Justice made an announcement outlining the Scottish Government's proposals to re-structure and make changes to improve how community justice services will be delivered in the future. The proposed arrangements for the local planning and delivery of community justice services are aimed at promoting a locality based approach through Community Planning Partnerships with the development of a new national body to provide leadership and accountability for the new structure. It is expected that the transfer will not take place until March 2016 and consultations with the Scottish Government are currently ongoing.

# Introduction

1. This report is the summary of our findings arising from the 2013/14 audit of Glasgow Community Justice Authority. The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinion on the financial statements and conclusions on significant issues arising.
2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of the public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management, however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of Glasgow Community Justice Authority and no responsibility to any third party is accepted.
3. Appendix A 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 Glasgow Community Justice authority understands its risks and has arrangements in place to manage these risks. Members should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
4. This report is also addressed to the Auditor General for Scotland and will be published on our website after consideration by the Glasgow Community Justice Authority.

# Financial statements

## Conduct and scope of the audit

5. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Glasgow Community Justice Authority on 4th March 2014, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
6. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2013/14 agreed fee for the audit was disclosed in our Annual Audit Plan and as we did not require to carry out any additional work outwith our planned audit activity this fee remains unchanged.

## Audit opinion & accounting issues

7. We have given an unqualified opinion that the financial statements of Glasgow Community Justice Authority for 2013/14 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 24th October 2014.
8. We received the unaudited financial statements on 17th June 2014 in accordance with the agreed timetable. The working papers were of a good standard and we completed our on-site fieldwork on 17th October 2014. Glasgow Community Justice Authority is required to follow the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

## Significant findings and key judgements (ISA260)

9. During the course of the audit we identified no significant issues regarding the appropriateness of accounting policies or accounting estimates and judgements, the timing of transactions, the existence of material unusual transactions or the potential effect on the financial statements of any uncertainties.

## Financial position

### 2013/14 Outturn

10. The main financial objective for Glasgow Community Justice Authority is to ensure that the financial outturn for the year is within the resource budget allocated by Scottish Ministers.
11. Table 1 shows performance against the 2013/14 budgets.

**Table 1: Resource Budget**

	<b>Final Budget (£'000)</b>	<b>Actual Outturn (£'000)</b>	<b>Under / (Over) spend</b>
Total Section 27 Funding	18,368	18,396	(28)
Administration Grant	223	240	(17)
National Grant	55	55	-
<b>TOTAL</b>	<b>18,646</b>	<b>18,691</b>	<b>(45)</b>

Source: Glasgow Community Justice Authority Financial Statements 2013/14

## 2013/14 Financial position

12. In 2013/14, the Authority's total expenditure was £18.691 million. This was met mainly by the Section 27 criminal justice grant of £18.368 million paid by the Scottish Government. The Section 27 allocation did not cover all Criminal Justice Social Work expenditure of £18.396 million. The excess of £27,672 was funded by Glasgow City Council's Social Work Services.
13. The administration grant final outturn was £240,000. This represents a £17,000 overspend against the grant allocation of £223,000. This was offset by recoveries from other bodies of £14,896 leaving a deficit on the provision of service of £3,000. This is represented by technical accounting adjustments relating to pension costs required under International Accounting Standard: 19 Employee Benefits (IAS 19).

## Financial planning

14. The initial Section 27 grant allocation for the Glasgow Community Justice Authority in 2014/15 has reduced by £0.247m, or approximately 1%, to £18.121 million from the 2013/14 final allocation. As service demand continues to forecast pressures on elements of the budget it is important that performance against budget is closely monitored and managed.
15. The Board approved a funding review of the Authority in June 2012. This focused on areas such as funding arrangements, governance and controls and risks and recommended that a review of the Authority's commissioning strategy should be carried out. A new Commissioning Strategy and action plan were approved by the Board in June 2013. To date several services have been reviewed and are being re-designed. Part of this review includes ensuring the existence and continued relevance of the service level agreements between the council and service providers. It is noted that a number of target timescales for priorities identified in the action plan have not been met. With increasing demand for services and continuing financial pressures, it is essential that the commissioning strategy and action plan are fully implemented as planned.

**Refer to Point 1**

## Corporate governance and systems of internal control

### Overall governance arrangements

16. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and overall we found the Glasgow Community Justice authority had sound governance arrangements in place.

### Accounting and internal control systems

17. Glasgow 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 the council, supplemented by specific audit work on the Authority's financial statements. No material weaknesses in the accounting and internal control systems were identified during the audit.

### Prevention and detection of fraud and irregularity

18. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. As the Authority follows Glasgow City Council's arrangements, we have reviewed these as part of the audit of Glasgow City Council. There are no matters that we wish to bring to the attention of the Authority, although it should be noted that no system can eliminate the risk of fraud entirely.

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

19. 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. No issues have been identified by us for inclusion in this report.

### Best value and performance

20. The achievement of best value requires sound management arrangements for services, including strong strategic direction and effective performance management. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.
21. Each community justice authority is required to produce an area plan which is submitted to the Scottish Government. The Authority's Area Plan 2014 -17 was agreed by the Glasgow CJA Board in March 2014 and it is recognised that it will play a key role in the strategic planning for community justice services under the new structures. The plan sets out the following strategic aims of the Authority:
  - To ensure the most effective use of resources.
  - To recognise the need for a different approach.



- To identify and build protective factors.
  - To deliver structural change while maintaining quality.
  - An action plan has been agreed to take forward each of these strategic objectives.
22. The work of Glasgow Community Justice authority is monitored by the Board and performance against the Performance Framework and Area plan is reported to members, with progress also being reported in the Authority's Annual Report. The draft 2013-14 Annual Report, presented to the Board in September 2014 shows progress against the previous 2011-2014 Area Plan. Overall the performance results were largely positive. A number of areas of concern were highlighted including the reconviction rate for Glasgow offenders and the continuing increase in numbers of adult offenders in custody. It is noted that some performance data was outstanding and it is unlikely this will be available in time for publication of the Annual Report.

**Refer to Point 2**

### **Acknowledgements**

23. We would like to express our thanks to the staff of Glasgow Community Justice Authority for their help and assistance during the audit of this year's financial statements which has enabled us to provide an audit report within the agreed timetable.

# 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.	15	<p><b>Financial pressures</b></p> <p>While demand for services continues to increase, the level of funding for 2014/15 has reduced by 1% compared to 2013/14. It is therefore important that performance against agreed budgets is closely monitored and the aims of the commissioning strategy achieved.</p> <p><b>Risk</b></p> <p>There is a risk that services are not being provided as sufficiently and cost efficiently as possible due to lack of review of service agreements.</p> <p><b>Recommendation</b></p> <p>Performance against budgets and commissioning strategy targets should continue to be closely managed and regularly reported to members.</p>	<p>Regular monitoring of budget and Commissioning Strategy, and associated reports to the Board.</p> <p>Establish Joint Commissioning Strategy Group, reporting to the Board</p>	CJA Chief Officer	December 2014 - ongoing

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
2.	22	<p><b>Performance management</b></p> <p>The draft Annual Report presented to the Board in September 2014 included a Glasgow CJA Performance Framework update for 2013-14. However some performance data was outstanding and may not be provided in time for publication of the Annual Report.</p> <p><b>Risk</b></p> <p>There is a risk that performance is not appropriately monitored for all services and key objectives are not met.</p> <p><b>Recommendation</b></p> <p>The performance framework should continue to be developed to ensure progress against targets can be measured against agreed measures.</p>	<p>Continue to monitor Performance Framework, pursuing outstanding data with partner organisations. Report on performance at every Board.</p>	CJA Chief Officer	December 2014 - ongoing