

Report to those charged with governance on the 2013/14 audit

Audited Body:	Lothian And Borders Community Justice Authority
Committee:	Lothian And Borders Community Justice Authority Board
Date:	October 2014

Background

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action.
2. This report sets out for the Lothian and Borders Community Justice Authority consideration the matters arising from the audit of the financial statements for 2013/14 that require to be reported under ISA 260. We are drawing to your attention those matters we think are worthy of note, so that you can consider them before the financial statements are approved and certified. It should be noted that the audit opinion reflects recent discussions with management and is subject to satisfactory conclusion of any outstanding matters.
3. We also present for your consideration our annual report on the 2013/14 audit which identifies our findings from the financial statements audit. This report is attached at Appendix C.

Status of the work

4. We have completed the audit of the Lothian and Borders Community Justice Authority accounts. The issues arising from the audit were included in matters arising correspondence discussed with Craig Beattie, Accountant in October 2014. No significant issues arose during the audit.

Fraud

5. In presenting this report to the Lothian and Borders Community Justice Authority we seek confirmation from those charged with governance of any instances of fraud that have arisen that should be brought to our attention. A specific confirmation from management in relation to fraud has been included in the draft letter of representation.

Audit opinion and representations

6. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 29 October 2014 (the proposed report is attached at [Appendix A](#)). There are no anticipated modifications to the audit report.

7. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature which we regard as errors less than £1,000.
8. A number of minor presentational and monetary adjustments were identified within the financial statements during the course of our audit. These were discussed with the accountant who agreed to amend the unaudited financial statements.
9. We therefore have no unadjusted misstatements to bring to your attention.
10. As part of the completion of our audit we seek written assurances from the Accountable Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix B. This should be signed and returned by the Accountable Officer with the signed financial statements prior to the independent auditor's opinion being certified.

Significant findings and key judgements

11. There are no significant findings.

Outstanding matters

12. Letter of Representation. A letter of representation is required before the certification of accounts.
13. Revised financial statements. A revised set of financial statements require to be fully checked and confirmed.
14. Subject to satisfactory conclusion of these outstanding matters we will issue our audit opinion along with the signed financial statements and the annual audit report. The attached draft annual report on the 2013/14 audit will be updated to reflect the impact of any unresolved outstanding matters prior to issue in final form e.g. audit opinion.

Acknowledgements

15. We would like to express our thanks to the staff of Lothian and Borders Community Justice Authority and City of Edinburgh Council 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: Proposed Independent Auditor's Report

Independent auditor's report to the members of Lothian and Borders Community Justice Authority, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Lothian and Borders Community Justice Authority for the year ended 31 March 2014 under the Management of Offenders etc (Scotland) Act 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet and Cash-Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Lothian and Borders Community Justice

Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2014 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 Code; and
- have been prepared in accordance with the requirements of the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985; and
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the remuneration report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or

- the Statement on the System of Internal Financial Control does not comply with the 2013/14 Code.

I have nothing to report in respect of these matters.

David McConnell
Assistant Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
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G2 1BT
Date 29 October 2014

Appendix B: ISA 580 - Letter of Representation

David McConnell

Assistant Director

Audit Scotland

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Dear Mr McConnell

Lothian and Borders Community Justice Authority

Annual Accounts 2013/14

This representation letter is provided in connection with your audit of the financial statements of Lothian and Borders Community Justice Authority for the year ended 31/3/2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the Lothian and Borders Community Justice Authority, as at 31/3/2014 and its statement of comprehensive net expenditure for the year then ended.

I confirm to the best of my knowledge and belief, the following representations given to you in connection with your audit of the Lothian and Borders Community Justice Authority for the year ended 31/3/2014.

General

I acknowledge my responsibility and that of Lothian and Borders Community Justice Authority for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Lothian and Borders Community Justice Authority have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.

The information given in the Foreword to the financial statements, including the Internal Financial Control Statement and Remuneration Report, presents a balanced picture of Lothian and Borders Community Justice Authority and is consistent with the financial statements.

I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those identified in the auditor's report to those charged with governance (ISA260).

Regularity of Financial Transactions

The financial transactions of Lothian and Borders Community Justice Authority are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

Financial Reporting Framework

The financial statements have been prepared in accordance with Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code), and guidance issued by Scottish Ministers including the Scottish Government Justice Directorate, Community Justice Authorities, Guidance Note Three, management Statement/Financial Memorandum.

Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of the Lothian and Borders Community Justice Authority for the year ended 31/3/2014.

Accounting Policies & Estimates

All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the Code.

The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

Going Concern

The Chief Officer has assessed Lothian and Borders Community Justice Authority's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and disclosed, in the financial statements that transfers of services under combinations of public sector bodies do not negate the presumption of going concern.

Related Party Transactions

All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code.

Events Subsequent to the Balance Sheet

There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate Governance

I acknowledge as Chief Officer my responsibility for the systems of internal controls. I confirm that I have reviewed the effectiveness of the systems for internal control and that the disclosures I have made are in accordance with the Scottish Government guidance. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.

The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code. There have been no changes in the corporate governance arrangements or issues identified, since the 31/03/2014 which require disclosure.

Fraud

I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

Assets

The assets shown in the Balance Sheet at 31/3/2014 were owned by the Authority, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

All liabilities have been provided for in the books of account, including the liabilities for all purchases to which title has passed prior to 31/3/2014.

Carrying Value of Assets and Liabilities

The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code. There are no plans or intentions that are likely to affect the carrying value of classification of the assets and liabilities within the financial statements.

Provisions

Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31/3/2014 and of which the Authority could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31/3/2014.

Yours sincerely

Robert Strachan

Chief Officer

Appendix C:

Lothian and Borders Community Justice Authority

Annual report on the 2013/14 audit

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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Key Messages

2013/14 audit findings

We have audited the 2013/14 financial statements and looked at aspects of performance management and governance, including the key financial risks faced by the Lothian and Borders Community Justice Authority. This report sets out our main findings, summarising key outcomes from the 2013/14 audit and the outlook for the period ahead.

Key outcomes from the 2013/14 audit

We have given an unqualified opinion that the financial statements give a true and fair view of the state of the affairs of the Lothian and Borders Community Justice Authority as at 31 March 2014 and of its statement of comprehensive net expenditure. Overall we found the governance arrangements of Lothian and Borders Community Justice Authority during the year to be satisfactory. The main conclusions and outcomes from the audit are highlighted below:

- final accounts preparation procedures and working papers were of a good standard, as were responses to audit queries
- matters arising from the audit have been included in the ISA 260 report to those charged with governance on the 2013/14 audit
- many aspects of a sound corporate governance framework are in place, including arrangements for the prevention and detection of fraud
- Internal Audit concluded that reasonable assurance could be placed upon the adequacy and effectiveness of the authority's internal control systems.

Outlook

Key issues for the attention of members are outlined in an Action Plan included at appendix B of this report.

Delivering a consistently high level of services in the face of uncertainty about the future of Lothian and Borders Community Justice Authority will be a challenge for the authority. The Scottish Government has now published a second consultation on the redesign of community justice, Future Model for Community Justice in Scotland. The Government has already announced that from 2016, planning and delivery of community justice will transfer from the 8 Community Justice Authorities to Scotland's 32 Community Planning Partnerships. A national body will also be created, to provide leadership and accountability for the new structure.

Lothian and Borders Community Justice Authority also faces a difficult economic climate with increasing financial constraints and that service projections show increasing demand will result in increasing pressure on elements of the budget.

The co-operation and assistance given to us by Lothian and Borders Community Justice Authority and staff and City of Edinburgh Council during the year is gratefully acknowledged.

Introduction

1. This report is the summary of our findings arising from the 2013/14 audit of Lothian and Borders Community Justice Authority (LBCJA). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. 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 LBCJA and no responsibility to any third party is accepted.
3. Appendix A sets out the key audit risks identified at the planning stage and details how we addressed each risk in arriving at our opinion on the financial statements. 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 LBCJA 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 Board of LBCJA.

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 the Annual Audit Plan presented to the Board on the 20 February 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 the 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 give a true and fair view of the state of the affairs of the LBCJA as at 31st March 2014 and of its net expenditure for the year. The audit opinion was formally issued and signed on 29 October 2014.
8. We received the unaudited financial statements on 25 September 2014 in accordance with the agreed timetable. The working papers were of a good standard and the staff provided good support to the audit team and we completed our on-site fieldwork in in October 2014. LBCJA is required to follow the 2013/14 Code of practice on local authority accounting; we can confirm that the financial statements have been properly prepared in accordance with these accounting requirements.

Going concern

9. The Scottish Government has now published a second consultation on the redesign of community justice, Future Model for Community Justice in Scotland. The Government has already announced that from 2016, planning and delivery of community justice will transfer from the 8 Community Justice Authorities to Scotland's 32 Community Planning Partnerships. A national body will also be created, to provide leadership and accountability for the new structure.
10. The financial statements identify that it is appropriate to adopt a going concern basis for the preparation of the Financial Statements taking into account the Authority's overall financial resources, the risks identified, the arrangements in place to manage those risks and the agreement on future funding with the Scottish Government. Transfers of services under combinations of public sector bodies do not negate the presumption of going concern.

Key Risk Area, Action 1

Significant findings (ISA260)

11. During the course of the audit we did not identify any 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

12. The main financial objective for LBCJA is to ensure that the financial outturn for the year is within the Section 27 and Administration budgets allocated by Scottish Ministers. The LBCJA operated within the approved Section 27 and Administration budgets for 2013/14 as detailed in the table below

Table 1: Budget

	Final Budget (£'000)	Actual Outturn (£'000)	Variance (£'000)
Section 27 :			
Expenditure	14,974	14,609	365
Administration:			
Expenditure	213	205	8
Total Expenditure :	15,187	14,814	373
Grant Income	15,817	14,801	(386)
Financing and Investment Income		13	13
Under/(Overspend)	0	0	0

Source: Financial Statements

13. The authority's total expenditure in 2013/14 was £14.814 million (£14,886 million). This was funded through Scottish Government Section 27 Criminal Justice Grant of £14.801 million (£14.866 million) and Financing and Investment income of £13,000 (£19,000), Administration expenditure was £211,000 (£206,000). The Section 27 grant is split between core and non-core

services in accordance with the 2013/14 grant allocation. The authority disbursed the Section 27 grant to constituent councils as follows:

- City of Edinburgh Council - £9.395 million
- East Lothian Council - £1.231 million
- Midlothian Council - £0.918 million
- Scottish Borders Council - £1.134 million
- West Lothian Council - £2.300 million.

Financial planning

14. The 2014/15 CSJ Section 27 grant allocations did not include a cost of living rise. However, the total allocation of £14.561 million (£14.545 million) reflects a small increase of £17,000. The funding has been allocated to councils on the basis of the national formula. The allocations to Councils are as follows for 2014/15:

- City of Edinburgh Council - £9.035 million
- East Lothian Council - £1.168 million
- Midlothian Council - £0.915 million
- Scottish Borders Council - £1.143 million
- West Lothian Council - £2,283 million
- CJA ISP - £0.017 million.

15. The Scottish Government removed the Core/Non-Core distinction during 2013/14, although there is a real expectation around how funds will be utilised. CJA's are now free to allocate funds as they see fit across the CJA in accordance with their area plan and in a way that they see as most appropriate to fulfil their statutory obligations and reduce reoffending. As a result of this flexibility there is an expectation by the Scottish Government that progress will be made by CJA's to achieve national outcomes and reduce reoffending.

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 LBCJA had satisfactory governance arrangements in place.

Processes and committees

17. LBCJA is comprised of elected members from five constituent authorities but is a body corporate in its own right, separate from those authorities. It is incumbent on all members to ensure that, in the context of their service to the authority, all of the necessary disclosures have

been made to ensure that the risk of conflicts of interest is adequately managed. Each of the individual member's record their interests on individual council websites.

18. Community Justice Authorities were established under the Management of Offenders etc. (Scotland) Act 2005. The Chief Officer is appointed by Lothian & Borders Community Justice Authority to support the day-to-day management of its functions and is accountable to both the CJA and Ministers for the co-ordination and implementation of the Strategic Area Plan and monitoring the delivery of services by partners.

Accounting and internal control systems

19. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
20. No material weaknesses in the accounting and internal control systems were identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
21. Internal audit is an important element of the LBCJA governance structure. Our review established that the work of internal audit is of a good quality allowing us to place reliance on a number of areas including payroll controls. This not only avoided duplication of effort but also enabled us to focus on other key risk areas.

Change in LBCJA's Status

22. It is proposed that from 2016/17 Community Justice Authorities are to be replaced by a new structure where local strategic planning and delivery of community justice services is undertaken through Community Planning Partnerships (CPPs). A new national body will also be created and the duties and functions of this body are the subject of further consultation during early / mid 2014.
23. All eight CJAs will work with the Scottish Government, COSLA and other strategic partners to develop the new community justice structure for Scotland. During the transition period the CJA's will help prepare CPPs for their new responsibilities by providing briefings and workshops for Members and staff. Through these arrangements CJA's will ensure CPPs are briefed on "good practice" within the community justice sector. CJA's will also provide information packs on a range of community justice themes and issues to help them get ready for 2016.
24. The challenge for all those involved in community justice during this period of transition will be to ensure the availability of services which reduce reoffending continues and that the structure transition does not disrupt existing good practices.

Key Risk Area, Action 2

Prevention and detection of fraud and irregularity

25. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion LBCJA's overall arrangements for the prevention of fraud are satisfactory, 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

26. 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.

Risk Management

27. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance.
28. LBCJA continue to strive for a more integrated approach to performance management, resource planning and risk management by quarterly reporting to the CJA Board on resources and risk as part of performance reporting. There is also ongoing training of board members on risk and performance issues as well as the identification of key challenges and risks in a refreshed Strategic Area Plan 2014-17, which is informed by evidence from a range of sources.

Key Risk Area, Action 3

Best value

29. 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. Audited bodies are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of best value. Where such requirements are not specified we may, in conjunction with the CJA undertake local work in this area.

Performance

30. Lothian and Borders CJAs overarching strategic outcome is to reduce reoffending across Lothian and Borders, year on year. LBCJA has set its target as 5% below the national average for 'one year' reconviction rates by 2016. The one year reconviction rate across Scotland is 29.2% for the 2011-12 cohort. The comparable rate for LBCJA for 2011/12 is 24.3%. This is

4.9% points below the Scottish average and this is an improvement of 1.9% from the previous year, however the Scottish average has increased by 0.8%.

31. The average number of reconvictions per offender across Scotland is 0.53 for the 2011/12 cohort, while for the LBCJA area this figure is 0.41 for the 2011-2012 cohort, some 0.12 reconvictions per offender below the Scottish average. This performance information will also be used to inform the Single Outcome Agreement target required for reducing reoffending. Though currently not achieving their target, LBCJA are currently performing better than the national averages and are continuing to show a downward trend.

Compliance with Equality Legislation

32. The Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 has introduced new specific duties placed upon relevant Scottish Public Authorities, including Community Justice Authorities. Whilst the policy statement which the board had previously approved provided a strong basis for compliance with the CJA's obligations, it had become clear from subsequent discussions with the Equality and Human Rights Commission (EHRC) that the CJA's approach required further development, particularly around equality outcomes.
33. An enhanced document had been developed which reflects the CJAs commitment and shared equality outcomes. The refreshed Equality policy statement was discussed at the Strategic Officers Group and CJA priorities were road tested with Edinburgh and Lothian's Regional Equality Council for adherence to equalities legislation. As part of monitoring performance the CJA is also asking partners to focus on equality and diversity on the national framework and identify key areas of performance that are sensitive to communities, equality and diversity strands.

Acknowledgements

34. We would like to express our thanks to the staff of LBCJA and CEC 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: Key Audit Risks

Key Audit Risks and Associated Audit Work

Audit Risk	Overview of the scope of audit work to address the risks
<p>Redesign of Community Justice Authorities from 2016/17:</p> <p>There is a risk that the Board may not be fully focused on achieving objectives and that staff morale may be affected.</p>	<p>We have monitored developments in this area through review of Board minutes, papers and attendance at Board meetings. There have been no major changes to staff or staffing at LBCJA. LBCJA's Board Members are kept regularly informed via Board papers and oral briefings presented by the Chief Officer of the programme for change, including the Area plans 2014 etc. We would conclude that the Board recognises the challenge it faces and we will continue to monitor and report on the Board's performance.</p>
<p>Budgetary Pressures from reduced S27 funding while demand for services increases.</p> <p>There is a risk that future funding gaps may have an adverse impact on services and the ability to achieve objectives.</p>	<p>We have monitored developments in this area through review of Board minutes, papers and discussions with finance staff. The financial position of LBCJA appears stable on the basis of its current financial reporting and budget projections. LBCJA is undertaking close monitoring of its financial position going forward to dissolution to identify and address any emerging budget pressures or projected overspends at an early stage. We would conclude that the Board recognises the financial challenge it faces and we will continue to monitor and report on the Board's performance.</p>

Audit Risk	Overview of the scope of audit work to address the risks
<p>Risk Register (Development)</p> <p>There is a risk that until the risk register is fully operational the authority may not be fully addressing all risks appropriately.</p>	<p>We have monitored developments in this area through review of Board minutes and papers. LBCJA have produced an integrated 'Top Level Performance Report' (25th September 2014) that integrates risk and performance reporting while identifying actions. Ongoing training of board members on risk and performance issues. Key challenges and risks are addressed in a refreshed Area Plan 2014-17, which is informed by evidence from a range of sources. We would conclude that the Board recognises the need to address and manage key risks. We will continue to monitor and report on the Board's performance in this area.</p>
<p>ECHR</p> <p>There is a risk that until the additional work/clarification is in place LBCJA may not be fully complying with ECHR legislation.</p>	<p>We have monitored developments in this area through review of Board minutes and papers. LBCJA have refreshed the Equality policy statement to reflect the CJA's obligations under the equality legislation. The updated Equality policy statement had also been discussed at the Strategic Officers Group and refinements had been made. The CJA has road tested CJA priorities with Edinburgh and Lothian's Regional Equality Council for adherence to equalities legislation. As part of monitoring performance the CJA is asking partners to focus on equality and diversity on the national framework and identify key areas of performance that are sensitive to communities, equality and diversity strands.</p> <p>We would conclude that the Board has addressed key actions to ensure that additional work clarification is in place for compliance with ECHR legislation. We will continue to monitor and report on the Board's performance in this area.</p>

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	10	<p>Transfer of Assets/ Liabilities to Succession body on Dissolution</p> <p>On dissolution LBCJA's assets, rights and liabilities will transfer to a Succession Body.</p> <p>Risk</p> <p>There is a risk that assets/liabilities on transfer may not be fully established.</p>	Chief Officer to explore the scope of the reform programme as it relates to the process for establishing assets and liabilities.	Chief Officer	Ongoing
2	24	<p>LBCJA's Status</p> <p>During the process of LBCJA's dissolution members need to continue to recognise the importance of effective governance at this time of change.</p> <p>Risk</p> <p>LBCJA's members may not be fully focused on governance matters as the body's status is changed.</p>	Members have signed up to a 'handling statement' for the reform period which recognises the need for statutory obligations placed on them to continue to be discharged until such times as reform is introduced. The Board and Chief Officer will work together and with partners to promote the need for strong governance arrangements to be maintained,	Chief Officer	Ongoing

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			particularly around risk, performance and finance processes.		
3	28	<p>Risk Management</p> <p>Development of risk management in LBCJA is supported by the governance framework, capacity building (training of Board members) and development of an integrated approach to performance management, resource planning and risk.</p> <p>Risk: Until this fully embedded and evaluated LBCJA may not be fully addressing all risks appropriately.</p>	<p>Further capacity building to be arranged for Members as part of wider governance training; connect CJA risk register with national CJA risk register (to help mitigate CJA collective risks); and continually assess performance risks through board and Strategic Officer Group meetings.</p>	Chief Officer	Ongoing