

North Strathclyde Community Justice Authority

Annual report on the 2013/14 audit



Prepared for North Strathclyde Community Justice Authority and the Auditor General
November 2014

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Key Messages

2013/14

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

In 2013/14 NSCJA reported an accounting deficit on the provision of services of £14,069, compared to a breakeven budget; the deficit was due to an accounting adjustment for pension costs and a small overspend for employee costs.

As the accounts now account for pension assets and liabilities, the balance sheet at 31 March 2014 shows net liabilities of £92,000 (£62,000 as at 31 March 2013). A material net liability can highlight potential going concern issue however, we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

Overall the system of internal control and arrangements for the prevention and detection of fraud were satisfactory during 2013/14.

In December 2013, the Scottish Government announced that from 2016 planning and delivery of community justice will transfer from the eight 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. The community justice authorities, including North Strathclyde, would therefore cease to exist.

Outlook

On the 9 April 2014 the Scottish Government published a further consultation document on the future model for community justice services. A joint response was provided by the CJA conveners to the Scottish Government prior to the consultation period closing in July 2014.

The new model is unlikely to be fully implemented until during 2016/17; during 2015/16 the Scottish Government plan to draft the national strategy, including performance management arrangements and confirm new funding arrangements.

In the meantime, NSCJA continue to work to the 2014-2017 Area Plan, providing updates to each CJA meeting.

Introduction

1. This report is the summary of our findings arising from the 2013/14 audit of North Strathclyde Community Justice Authority (NSCJA). 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 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 the NSCJA and no responsibility to any third party is accepted.
3. This report is also addressed to the Auditor General and will be published on our website after consideration by the NSCJA. 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.

Matters to be reported

Conduct and scope of the audit

4. 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 issued to management in March 2014 and presented to the NSCJA on 13 June 2014, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.
5. 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 carry out any additional work outwith our planned audit activity the fee remains unchanged.

Audit opinion & accounting issues

6. We have given an unqualified opinion that the financial statements of NSCJA 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 20 October 2014.
7. We received the unaudited financial statements on 16 June 2014, in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team which enabled us to complete our on-site fieldwork by the planned target date.
8. Community justice authorities are required to prepare accounts in line with the Scottish Government Justice Directorate's Guidance Note Four: Management Statement / Financial Memorandum (March 2013). The memorandum states that the accounts should be prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the 2013/14 Code) and we can confirm that the financial statements have been properly prepared in accordance with the Management Statement and 2013/14 Code.

Findings

9. Our International Standard on Auditing (ISA) 260 report, issued to the chief officer, as accountable officer, and treasurer on 20 October 2014 confirmed there were no significant issues arising from the audit of the financial statements.
10. A number of presentational issues were identified during the course of our audit and these were discussed with finance officers who agreed to amend the unaudited financial statements. There was no impact on the deficit on provision of services of these changes.

Financial results

2013/14 Outturn

11. In 2013/14 NSCJA reported an accounting deficit on the provision of services of £14,069, compared to a breakeven budget; the deficit was mainly due to an accounting adjustment for pension costs and a small overspend for employee costs.

2013/14 financial position

12. The balance sheet as at 31 March 2014 shows net liabilities of £92,000 (£62,000 as at 31 March 2013) and relates to an increase in the pension liability which is attributable to changes in the pension fund actuary's assumptions: higher pension and salary increase rates and lower expected return on pension assets.
13. A material net liability can highlight potential going concern issue however, we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

2014/15 budget

14. Two sources of grant funding are made available to NSCJA from the Scottish Government. The first of these is known as section 27 funding, which in turn is allocated out to each of the member authorities. The initial allocation for 2014/15 was £10,117,963 (2013/14 £10,213,203; 2012/13 £10,532,185), a reduction of £115,334 (1%) from the previous year.
15. As per the previous year, NSCJA was allocated a single funding allocation and not a core and non-core budget allocation. This is to allow greater flexibility to allocate resources towards area plan priorities.
16. In September 2014, the Treasurer and Chief Officer projected a year-end overspend of £196,779 primarily due to overspends at East Renfrewshire CJA (£139,788) and Argyll, Bute and Dunbartonshire (£68,996). Any such overspends would be borne by the member authorities.
17. The second source of grant funding is for administration costs. The 2014/15 budget is £222,682, compared to 2013/14 of £220,477. A small underspend of £1,700 was projected for the year, as at September 2014.

Overall governance arrangements

18. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies' corporate governance arrangements and we found that NSCJA has sound governance arrangements in place.

19. NSCJA normally meet quarterly but we note that meetings held in June and December 2013 were not quorate, however all meetings held in 2014 have been held as planned. We will continue to monitor that all meetings are held quarterly.

Accounting and internal control systems

20. 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.
21. With Renfrewshire Council (the council) being the host for NSCJA, all financial transactions of NSCJA are processed through the financial systems of the council and are subject to the same controls and scrutiny of the council including regular reviews of internal audit. We assess the work of internal audit and where possible place reliance on their work. For 2013/14 we placed reliance on their testing at the council. In the prior year Internal audit reported on some system weaknesses on trade payables and we carried out additional substantive testing and results were satisfactory.
22. In the Internal Audit Annual Report 2013/14, the Chief Auditor concluded that satisfactory assurance can be placed upon the adequacy and effectiveness on NSCJA's internal control, risk management and governance arrangements. A specific review was completed during the year of the authority's financial regulations and codes, to ensure that any revisions made to the Renfrewshire Council financial regulations and codes were incorporated as appropriate.

Public Services Network

23. As already noted, the council hosts all the systems for NSCJA and if there were any ICT system failures this could have a significant impact on the work of NSCJA as it exchanges a high volume of data with member authorities. Last year we reported that the Cabinet Office had replaced the Government Secure intranet (GSI) with public services network and that they were strict over security measures. We confirmed that the Cabinet Office awarded accreditation to the council in September 2013. Accreditation is required annually and the council is awaiting feedback on its 2014 submission, which was sent to the Cabinet Office by November 2014 deadline.

Prevention and detection of fraud and irregularity

24. 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 the overall arrangements for the prevention of fraud within NSCJA 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

25. 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

26. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.
27. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. 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.
28. This section includes a commentary on the performance management arrangements within NSCJA and notes any headline developments.

Performance management arrangements

29. The work of NSCJA is underpinned by the 2014-2017 Area Plan and annual action plans to progress the overarching strategy of the area plan. Update progress reports are provided to each NSCJA meeting. In September 2014, members were advised that of the 37 activities planned, 35 (95%) are on course to be completed within the prescribed timescales, but there were delays in progressing the equally safe and fiscal work order roll-out activities due to roll out timetable being revised by the Scottish Government.

Redesigning the community justice system

30. In December 2013 the Scottish Government announced that planning and delivery of community justice will transfer from the eight 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. Therefore the current CJAs, including North Strathclyde, will cease to exist.
31. On the 9 April the Scottish Government published a further consultation document on the future model for community justice services. The main features of the new model are as follows:
- Local strategic planning and service delivery under Community Planning Partnerships (CPPs)

- Duties on a defined set of partner bodies including local authorities, NHS boards and Police Scotland to engage in local strategic planning and delivery with accountability for planning and performance being located at this level.
 - A national body with the suggested name of Community Justice Improvement Scotland will be established to provide independent professional assurance to Scottish Ministers on the collective achievement of community justice outcomes across Scotland.
 - Collective or collaborative arrangements incorporating aspects which maybe best commissioned, managed or delivered nationally.
 - A mechanism, reflecting the national and local democratic responsibilities, to afford discussion agreements as necessary on aspects of mutual concern.
32. At the meeting of the community justice authority conveners held on 30 May, 2014 it was decided that a joint response to this consultation be submitted to the Scottish Government. The community justice authority conveners reiterated their commitment to work with the Scottish Government, CoSLA and other stakeholders to ensure a smooth transition to the new structure.
33. The new model is unlikely to be fully implemented until during 2016/17; during 2015/16 the Scottish Government plan to draft the national strategy, including performance management arrangements and confirm new funding arrangements.
34. In the meantime, NSCJA continue to work to the 2014-2017 Area Plan, providing updates to each CJA meeting.

Acknowledgements

35. We would like to express our thanks to the staff of Renfrewshire Council and NSCJA 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.