

Glasgow Community Justice Authority

2016/17 Annual Audit Report



 AUDIT SCOTLAND

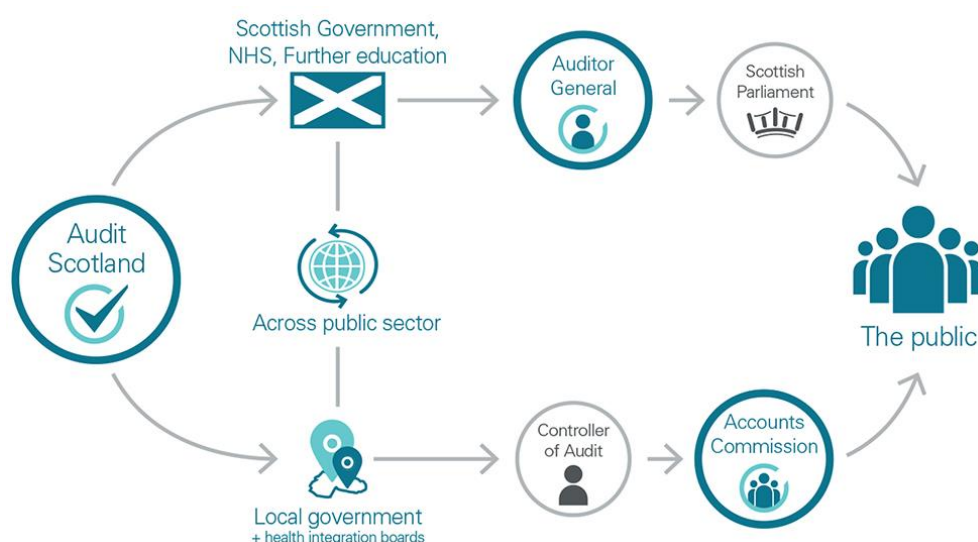
Prepared for Glasgow Community Justice Authority and the Auditor General for Scotland

27 October 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages	5
Introduction	6
Part 1 Audit of 2016/17 financial statements	9
Part 2 Financial management	11
Part 3 Financial sustainability	13
Part 4 Governance and transparency	15
Part 5 Value for money	17
Appendix 1 Significant audit risks identified during planning	19
Appendix 2 Summary of national performance reports 2016/17	21

Key messages

Audit of the 2016/17 financial statements

- 1 Our audit opinions were all unqualified. These covered the financial statements, Remuneration Report, Chief Officer's Report and the Statement on the System of Internal Financial Control.
- 2 The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Financial management

- 3 The Authority effectively managed its 2016/17 budget.
- 4 Appropriate internal controls were in place and these operated effectively during 2016/17.

Financial sustainability

- 5 We are satisfied with the Authority's arrangements for settling year end debtor and creditor balances following dis-establishment.

Governance and transparency

- 6 Effective governance arrangements were in place throughout 2016/17 and the Board conducted its business in an open and transparent manner.

Value for money

- 7 The Authority's performance management arrangements during 2016/17 were well established and effective.

Introduction

1. The Community Justice (Scotland) Bill resulted in the dis-establishment of community justice authorities from 1 April 2017. Functions were transferred to Community Justice Scotland at a national level and the local community planning partnerships at the local level.
2. As such, the 2016/17 annual accounts will be the last set of financial statements prepared for the Glasgow Community Justice Authority (the Authority), and this will be the final annual audit report issued.
3. From 1 April 2017, in line with Scottish Government guidance, the Chief Officer of the Authority discharged his duties to the Acting Executive Director of Financial Services of Glasgow City Council, who became the Accountable Officer with responsibility for the completion of the financial statements. For the purposes of the approval of the annual accounts, 'those charged with governance' has also transferred from the Authority's Board to the Accountable Officer.
4. This report is a summary of our findings arising from the 2016/17 audit of the Authority. The scope of our audit was set out in our Annual Audit Plan presented to the February 2017 meeting of the Board. This report comprises:
 - an audit of the annual report and accounts
 - consideration of the wider dimensions set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

5. The main elements of our audit work in 2016/17 have been:

- an interim review of the Authority's main financial systems and governance arrangements
- an audit of the Authority's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.

6. The Accountable Officer is responsible for preparing financial statements that give a true and fair view in accordance with the financial reporting framework and for such internal controls as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement. The Authority is responsible for establishing effective arrangements for governance, propriety and regularity that enable the Board to successfully deliver its objectives.

7. Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), supplementary guidance and, guided by the auditing profession's ethical guidance.

8. These responsibilities include giving independent opinions on the financial statements, regularity, the remuneration report, the Chief Officer's Report and the Statement on the System of Internal Financial Control. We also review and report on the arrangements within the Authority to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

10. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist.

- 11.** Communication in this report of matters arising from the audit of the annual report and accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 12.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 13.** This report is addressed to both the Accountable Officer and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 14.** We would like to thank all management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2016/17 financial statements



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, Remuneration Report, Chief Officer's Report and the Statement on the System of Internal Financial Control.

The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

Unqualified audit opinions

- 15.** The annual report and accounts for the year ended 31 March 2017 were approved by the Accountable Officer on 26 October 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements;
 - an unqualified opinion on the regularity of expenditure and income; and
 - an unqualified audit opinion on the remuneration report, Chief Officer's Report and the Statement on the System of Internal Financial Control.
- 16.** Additionally, we are satisfied that there are no matters which we are required by the Auditor General to report by exception.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Submission of annual report and accounts for audit

- 17.** We received the unaudited financial statements on 28 June 2017, in line with our agreed audit timetable.
- 18.** The working papers provided with the unaudited financial statements were of a good standard and finance staff provided support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risk of material misstatement

- 19.** [Appendix 1](#) (page 19) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team.

Materiality

- 20.** Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what

is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

21. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
22. On receipt of the annual report and accounts we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017, based on projected outturn figures as reported to the Glasgow Community Justice Authority Board in December 2016.	£185,000
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 90% of planning materiality.	£167,000
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality.	£9,000

Source: Audit Scotland

Evaluation of misstatements

23. There were no material adjustments to the unaudited financial statements arising from our audit.

Significant findings from the audit

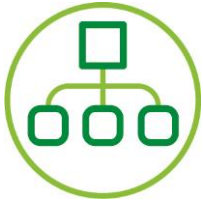
24. International Standard on Auditing (UK and Ireland) 260 requires us to communicate significant findings from the audit to you. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA 260.

Other findings

25. In previous years, the Authority included the full audit fee within Administration Grant expenditure. In 2016/17, the Authority has chosen to allocate a proportion of the audit fee to the National CJA Scheme expenditure disclosed in the financial statements. There has been no restatement of prior year figures for comparative purposes. The amount involved (£1,557) is well below our reporting threshold and we are satisfied with the disclosures made.
26. Our audit identified a number of other presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

The Authority effectively managed its 2016/17 budget.

Appropriate internal controls were in place and these operated effectively during 2016/17.

Financial performance in 2016/17

- 27.** In 2016/17, the Authority's total expenditure was £18.719 million. This was met mainly from grant funding (Section 27 criminal justice grant, administration grant and national grant). The remaining expenditure was funded from a recharge to other bodies (£0.029 million) and a contribution from Glasgow City Council's Social Work Services (£0.050 million). After making appropriate adjustments between the accounting and funding basis for pension costs, the Authority reported a breakeven position for 2016/17.

Internal controls

- 28.** As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that the Authority has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.
- 29.** The Authority used the financial systems of Glasgow City Council to prepare its annual accounts. As part of our audit of Glasgow City Council we reviewed the high level controls in a number of systems fundamental to the preparation of the financial statements, including payroll, accounts receivable and accounts payable. Our objective was to obtain evidence to support our opinion on the Authority's financial statements.
- 30.** In our interim report to the Council, which was issued in July 2017, we concluded that the key controls were operating effectively. No significant control weaknesses were identified which could affect the Authority's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.
- 31.** As part of their annual report for 2016/17, internal audit also concluded that reasonable assurance could be provided on the governance and internal control environment operating during the financial year.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Budgetary monitoring and control

- 32.** We reviewed the Authority's budgetary processes and budget monitoring arrangements. This included a review of budget monitoring reports, review of committee papers and discussions with officers.

33. In our 2015/16 annual audit report we highlighted the risk of the lack of regular financial reports taken to the Board. This year we noted that improvements had been made to the timeliness of the budget monitoring reports reported to the Board in its final year.
34. We are satisfied that the Authority had strong budgetary monitoring and control arrangements in place during 2016/17 that allowed members and officers to carry out effective scrutiny of its finances.

Prevention and detection of fraud and irregularity

35. We assessed the Authority's arrangements for the prevention and detection of fraud. Our audit work covered a number of areas such as whistleblowing and review of the counter fraud strategy.
36. We found that the Authority was proactive in promoting fraud awareness and had appropriate and adequate arrangements in place for fraud detection and prevention during 2016/17.

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

37. We reviewed the Authority's arrangements for maintaining standards of conduct and found the established procedures, including the Staff Handbook and Members' Codes of Conduct, to be satisfactory. We are satisfied that the Authority had appropriate arrangements in place for the prevention and detection of bribery corruption. We are not aware of any specific issues that we need to bring to your attention.

Part 3

Financial sustainability



Main judgements

We are satisfied with the Authority's arrangements for settling year end debtor and creditor balances following dis-establishment.

Financial position

- 38.** The Authority's balance sheet at 31 March 2017 shows a net liability position of £0.375 million. This represents the pension liability arising from the difference between expected future pension payments and the underlying value of the pension fund assets available to meet these costs. The appointed actuary used by the Authority is of the view that the asset holdings and future pension contributions provide security over future liabilities. The liability will be borne by the Scottish Government as part of the agreement to meet the costs of dis-establishment.

Year end balances

- 39.** As at 31 March 2017, the Authority had short term debtor and creditor balances of £0.364 million. The debtor balance related to grant funding due from the Scottish Government. The creditor balance relates mainly to amounts due to Glasgow City Council arising from timing differences in the receipt of funding.
- 40.** As at September 2017 the only debtor balance still to be settled relates to Section 27 grant of £0.257 million. We understand that, in line with agreed arrangements, the Scottish Government debtor will be settled in full by the end of the calendar year.
- 41.** There is a remaining creditor balance of £0.014 million as at September 2017 and officers have advised that invoices are expected shortly for these balances to allow payment to be made.
- 42.** We are satisfied with the Authority's arrangements for settling debtor and creditor balances following dis-establishment.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial Sustainability

- 43.** Following dis-establishment there are no financial sustainability implications to be considered for the Glasgow Community Justice Authority. Under the oversight of the new national body, Community Justice Scotland, each local authority will now receive funding under Section 27 of the Social Work (Scotland) Act 1968 directly.
- 44.** In December 2016 the Scottish Government wrote to the Chief Executive of each local authority to advise them of their allocation for 2017/18. The methodology for calculating funding has been revised following dis-establishment, with the result that some local authorities have seen increases,

and some decreases, to their annual funding award. Recognising the impact that this may have, the funding changes will be phased in over a five year period to give authorities additional time to prepare budgets accordingly.

- 45.** It is for each local authority to monitor how they use Section 27 funding going forward. Reduced levels of funding against the backdrop of rising service demands across the public sector in Scotland places a strain on service delivery for community justice. It is important that financial monitoring is robust and that financial position is kept under close review going forward under the new arrangements.

Part 4

Governance and transparency



Main judgements

The Authority had effective governance arrangements in place throughout 2016/17.

Governance arrangements

46. The Authority's governance arrangements during the year were well established. The Board met every quarter and the meetings were supported by detailed and comprehensive reports from officers. The Authority adopted the same Standing Orders and Financial Regulations as Glasgow City Council and had its own Scheme of Delegation in respect of the Authority's Chief Officer.
47. Based on our planning and interim audit work and we have concluded that the Authority had appropriate and adequate governance arrangements in place that supported good governance and accountability in 2016/17.

Internal audit

48. The Authority's internal audit function is carried out by Glasgow City Council's internal audit department. Internal audit provides the Authority with independent assurance on their overall risk management, internal control and corporate governance processes.
49. We carried out a review of the adequacy of the internal audit function as part of our work on the Council audit and concluded that operates accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
50. To avoid duplication effort we place reliance on the work of internal audit wherever possible. In 2016/17 we relied on aspects of internal audit's work covering accounts payable and system access.
51. As part of our wider dimension work we considered internal audit reports on risk management, financial transactions and financial monitoring. There were no issues identified by internal audit that would have an impact on our audit work.

Risk management

52. The Authority maintained a risk register over the period it was operational, providing regular updates and monitoring to the Board. Over the pre-dis-establishment period, the Board also had in place a Dis-establishment Plan and a transition risk register which was to ensure that the dis-establishment proceeded in an effective and co-ordinated way.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Transparency

- 53.** Transparency means that the public, in particular local residents, have access to understandable, relevant and timely information about how the Authority is taking decisions and how it is using resources.
- 54.** There is evidence from a number of sources which demonstrated the Authority's commitment to transparency. For example, Board meetings were held in public, with agendas and minutes available on its website. The Board also made its performance information available to the public.
- 55.** Overall, we found that the Board conducted its business in an open and transparent manner.

Part 5

Value for money



Main judgements

The Authority's performance management arrangements during 2016/17 were well established and effective.

Performance management

- 56.** The 2014-2017 Area Plan which was approved by the Board in March 2014 set out the Authority's key aims and objectives. Under the terms of the Management of Offenders etc. (Scotland) Act 2005, the Authority was required to report annually on its activities and performance and to demonstrate progress against the main strategic objectives contained within the plan.
- 57.** The final annual performance report was presented to the Board's final meeting in February 2017. The report highlighted a number of achievements against the Authority's strategic objectives. These included
- using resources where they are most effective
 - increasing the proportion of community sentences awarded
 - agreeing and implementing the Community Justice Commissioning Strategy
 - recognising where a different approach is needed
 - developing clear pathways to mental health services for justice service users
 - increasing access to health and wellbeing services for justice service users
 - identifying and building protective factors
 - developing pathways for prison leavers into employability and work opportunities
 - developing a multi-agency 'whole family' approach for health services
 - acting on service user voice
 - developing a service user engagement strategy for a test group of women offenders
 - delivering structural change without compromising on quality or progress
 - developing a detailed local transition plan

Value for money is concerned with using resources effectively and continually improving services.

- 58.** The Authority had an effective performance management framework in place which supported the achievement of value for money and continuous improvement in the way services were delivered. This included agreeing a Dis-establishment Plan to help ensure an effective and co-ordinated dis-establishment of the Authority which also minimises residual costs beyond 31 March 2017.

National performance audit reports

- 59.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 2](#) accompanying this report.

Appendix 1

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates for bias.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside</p>	<p>Journal entries were reviewed as part of the substantive testing of the financial statements. No evidence to suggest management was overriding controls was identified.</p> <p>No accounting estimates were made in preparing the financial statements.</p> <p>The accruals balance was reviewed and no issues were identified.</p> <p>No significant transactions that were outside the normal course of business were identified during audit testing.</p> <p>Our conclusion is that there was no evidence of management override of controls.</p>
<p>2 Risk of fraud over expenditure</p> <p>ISA 240 and the Code of Audit Practice require auditors to consider the risk of fraud over certain types of public sector expenditure.</p> <p>The presumed risk of fraud over expenditure is relevant due to the extent of the Authority's expenditure in delivering services.</p>	<p>Analytical procedures over expenditure.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Analytical procedures were carried out on expenditure items.</p> <p>A sample of expenditure transactions was tested.</p> <p>No evidence to suggest fraud over expenditure was identified.</p> <p>Our conclusion is that the Authority had arrangements in place to minimise the risk of fraud over income and expenditure.</p>
<p>3 Discharge of Responsibilities</p> <p>The role of Accountable Officer will transfer from the Authority's Chief Officer to the Acting</p>	<p>Review of the arrangements in place for the discharge of responsibilities and the arrangements in place for the preparation of the financial</p>	<p>We reviewed the arrangements in place for the preparation of the financial statements and the discharge of responsibilities post dis-establishment and concluded</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>Executive Director of Financial Services of Glasgow City Council as the Authority's lead authority from 1 April 2017. There is a risk the Acting Executive Director does not have sufficient assurances in order to discharge these responsibilities in relation to the financial statements.</p>	<p>statements.</p>	<p>that these were appropriate. There was continuity in the finance officer preparing the financial statements for 2016/17 which aided in an effective discharge of responsibilities from the Chief Officer to the Acting Executive Director of Financial Services.</p> <p>We are satisfied that there were satisfactory arrangements in place to ensure the financial statements were prepared to a good standard.</p>





















Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>4 Discharge of Responsibilities</p> <p>The Chief Officer of the Glasgow Community Justice Authority are required to have an agreement in place surrounding the discharge of responsibilities upon dis-establishment of the Authority. There is a risk that there is no formal agreement in place to ensure the discharge of responsibilities in order to facilitate the annual accounts process for 2016/17.</p>	<p>On-going liaison with client staff and review of the Authority's arrangements for the discharge of responsibilities.</p>	<p>We carried out regular discussions with officers throughout the year to ensure that there was an effective process in place for the discharge of responsibilities</p> <p>We concluded that the arrangements in place were sound and that the transition was carried out effectively.</p>
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Appendix 2

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

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Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk