

External Audit Report for Community Justice Scotland (CJS)

Financial year ended 31 March 2021

Prepared for the Board of CJS and the Auditor General for
Scotland

Audit and Risk Committee and the Board

8 October 2021



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our external audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect CJS or all weaknesses in internal controls. This report has been prepared solely for your benefit and Audit Scotland (under the Audit Scotland Code of Practice 2016). We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Key messages

This is our final report to the CJS Board and the Auditor General For Scotland and concludes our audit on the financial year ended 31 March 2021. We have issued an unmodified audit opinion on the annual report and accounts.

We thank management for all their assistance during the audit process.

03 Wider Scope Audit

In accordance with the Audit Scotland Code of Practice CJS meets the definition of a smaller body. This is based on CJS's income being all via Scottish Government, a higher proportion of expenditure being staff costs and the financial statements being less complex.

We have concluded in this report on the governance statement and CJS's future financial arrangements. During our audit we did not identify any further areas of wider scope risk.

01 Materiality

We recalculated materiality based on the unaudited annual report and accounts. The benchmark of 2% gross expenditure remained the same. This resulted in:

- Materiality of £47,660 and a performance materiality (70% of materiality) of £33,362
- All audit adjustments above £2,400 were reported to management
- Lower materiality of one banding on Staff Remuneration Report.

04 Other audit matters

This final report summarises a number of other audit matters:

- We have concluded that CJS meets the definition of a going concern, reflecting on FRC Practice Note 10 considerations.
- The accounts contain limited estimation and judgement. One estimate was identified, the holiday pay accrual where we have done specific work under ISA 540 Accounting estimates.
- During the course of our work we did not identify fraud and/or material error.

Appendix 1 sets out agreed audit adjustments (including disclosures) and the unadjusted differences we are required to report to you. We identified one recommendation for improvement which is set out in the appendices.

02 Financial statement audit risks

At planning, in accordance with the ISAs (UK) and FRC Practice Note 10 we have identified the following significant financial statement audit risks:

- Management override of controls (ISA UK 240)
- Risk of fraud in revenue expenditure (cut-off) (FRC PN10)

We have rebutted the risk of fraud in revenue recognition as all funding is from the Scottish Government via an agreed budget allocation.

We have no matters to bring to your attention arising from our work over these significant audit risks.

We identified a prior year adjustment (PPA) which impacted on the prior year Statement of Changes in Taxpayers Equity (SOCTE) and the Cash flow statement. The accounts have been re-stated in prior year with an explanation note. See page 9 for further details.

05 Our Audit Fee

Our audit fee, set out in our audit plan, of £14,740 was our final audit fee.

There were no non-audit services (fees) during the year and we did not need to vary our agreed fee.

Introduction

Scope of our audit work

This report is a summary of our findings from our external audit work for the financial year ended 31 March 2021 at Community Justice Scotland (CJS). The scope of our audit was set out in our External Audit plan.

The main elements of our audit work in 2020/21 were:

- An audit of CJS's annual report and accounts for the financial year ended 31 March 2021;
- Consideration of financial sustainability and the Governance Statement, as required under the smaller body classification, within the Audit Scotland Code of Practice (2016)

Our work has been undertaken in accordance with International Standards of Auditing (ISAs) (UK) and the Code.

This report is addressed to the CJS Board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course.

Responsibilities

CJS is responsible for preparing an annual report and accounts which show a true and fair view and that are in accordance with the accounts direction from Scottish Ministers. The Board is also responsible for establishing appropriate and effective arrangements for governance, propriety and regularity that enable it to successfully deliver its objectives.

The recommendations 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. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Adding value through our audit work

We aim to add value to CJS throughout our audit work. Whilst we completed the audit remotely again, learning from last year was embedded and we ensured effective use of Microsoft Teams to complete our testing.

We continue to share recommended practices with management, where relevant, and contribute to wider discussions at the Audit and Risk Committee during the year.

Audit of the annual report and accounts

Key messages

We have issued an **unmodified** audit opinion on the annual report and accounts.

We have identified a number of adjustments to the financial statements. Appendix 1 sets out those that have been adjusted alongside the one unadjusted misstatement.

We raised one recommendation for management as a result of our audit work (Appendix 2)

We would like to thank management for all their assistance during the year in ensuring the delivery of the audit, to the timescales agreed at the start of the financial year.

Our audit opinion

For the financial year ended 31 March 2021 we have issued an **unmodified opinion** on the annual report and accounts. As reported in the independent auditor's report:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- expenditure has been incurred in accordance with applicable enactments and guidance (regularity)
- the audited part of the remuneration and staff report, performance report and governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant legislation and directions made by Scottish Ministers.

The audit process

In accordance with our annual external audit plan our audit work commenced on 7 June 2021. We received the financial statements (numbers) first and then following from that the drafted annual report (front-end of the accounts). The finance team were helpful and supported the audit process. During the audit we identified an issue with the prior year cash flow statement and the SOCTE. This arose due to Scottish Government posted adjustments in 2019/20 alongside the omission of three trial balance codes from the CJS Trial Balance, used to form the accounts. These balances were included in 2018/19 and omitted thereafter. See page 9 for further commentary. Audit adjustments and disclosure amendments have been agreed. [See Appendix 1 for further details.](#)

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Our audit approach was set out in our audit plan communicated to the Audit and Risk Committee in March 2021. We updated our audit materiality to reflect the 2020/21 unaudited annual report and accounts, set at £47,660, representing 2% of gross expenditure. Performance materiality was set at £33,362, representing 70% of our calculated materiality.

We report to management any difference identified over £2,400 (5% of materiality).

We applied a lower materiality threshold for Directors Remuneration disclosures within the Remuneration and Staff Report to ensure that remuneration has been disclosed within the appropriate bandings (£1,000).

Responding to significant financial statement risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Management override of controls

As set out in ISA 240 there is a presumed risk that management override of controls is present in all entities. This risk area includes the potential for management to use their judgement to influence the financial statements as well as the potential to override CJS's controls for specific transactions.

We consider those key judgements that are most susceptible to significant audit risk of management override are those over expenditure recognition. These are areas where management has the potential to influence the financial statement through estimate and judgement. This includes manual journals as well as critical judgements or estimates.

Commentary

- We considered the design of controls in place over key accounting estimates and judgements through performance of walkthrough procedures.
- We reviewed accounting estimates for management bias / indication of fraud that could result in material misstatement. This included review of estimates as at 31 March 2021 and retrospective review of those estimates as at 31 March 2020. The only estimate noted was the holiday pay accrual.
- Journals testing including:
 - Assessment of the design of controls in place over journal entries, including journal preparation, authorisation and processing onto the financial ledger.
 - Risk assessment of the journals population to identify large or unusual journal entries, such as those that are not incurred in the normal course of business, or those entries that may be indicative of fraud or error that could result in material misstatement. This includes consideration of journals during the year end and journals to create the year-end accounts.

Conclusion

Through audit procedures performed we found that there was no evidence of management override in the transactions tested. We did not identify indications of fraud or inappropriate management bias in accounting estimates that could result in a material misstatement. We note that the only estimate CJS have within the annual report and accounts is a holiday pay accrual. There are no other accounting estimates or judgements.

Risks identified in our Audit Plan

Risk of fraud in expenditure recognition

As set out in Practice note 10 (revised) which applies to public sector entities we consider there to be an inherent risk of fraud in expenditure recognition. As payroll expenditure is well forecast and agreeable to underlying payroll systems there is less opportunity for the risk of misstatement in this expenditure stream. We focus our risk on other material expenditure streams. As financial performance of CJS is measured on year end outturn, we consider the risk to be particularly prevalent around the year end and therefore focus our testing on cut-off of non-pay expenditure.

Commentary

- We performed walkthroughs of the controls and procedures over other operating expenditure streams.
- We performed substantive testing of expenditure throughout the year to confirm its occurrence and accuracy of recording.
- Focused substantive testing of expenditure recognised post year-end (one month) to identify if there is any potential understatement to address the risk of cut-off.
- Focused substantive testing of expenditure in the final two months of the year to identify if this has been potentially overstated to address the risk of cut-off.
- Review of accruals, where material, around the year end to consider if there is any indication of understatement or overstatement of balances held through consideration of accounting estimates.

Conclusion

Through audit procedures performed we did not identify any exceptions in our year end cut-off testing of expenditure. We did not identify any exceptions in the completeness and accuracy of accruals balances at year end.

Through our substantive procedures and sample testing we did not identify any expenditure which was not in accordance with the nature of CJS (regularity testing).

Significant estimates and judgements

CJS's annual report and accounts are considered straightforward and non-complex. There are no significant judgements or estimates, and this has been confirmed by Management and within our audit testing. We noted one estimate in the accounts, the holiday pay accrual.

	Summary of management's approach	Audit Comments	Assessment
Holiday pay accrual	<p>In accordance with the FReM and guidance from Scottish Government CJS have included in the annual report and accounts a holiday pay accrual.</p> <p>The accrual has been calculated using data from Payroll and HR which comes from Scottish Government, as the providers of the payroll service.</p>	<p>We recalculated the accrual for a sample of employees to verify the calculation, and sought agreement to underlying records. We considered how the calculation has been determined. There is a degree of estimation and judgement in how management have determined the accrual. We identified one proposed audit adjustment which we discussed with management, based on differing judgements, which management have agreed and is reflected in the final annual report and accounts. (appendix 1)</p>	<p>We consider management's arrangements appropriate. Overall management's estimate, with the adjustment, is considered neither optimistic or pessimistic.</p>

Internal control environment

In accordance with ISA requirements we have developed an understanding of the control environment in place within CJS. Our audit is not controls based and we have not placed reliance on controls operating effectively as our audit is fully substantive in nature. We gained our understanding of the control environment through a walkthrough of key controls within CJS including payroll, expenditure and journals.

We identified no material weaknesses or areas of concern from this work which would have caused us to alter our planned approach as documented in the external audit plan.

Prior Period Adjustment (PPA)

During the course of our audit we identified a prior year error in the Cash Flow Statement (CFS) and the Statement Of Changes in Taxpayers Equity (SOCTE) (2019/20 annual report and accounts). As both of these errors were considered material we discussed the matter with management.

Within appendix 1 we have captured the audited adjustments. Within the final annual report and accounts for 2020/21, the SOCTE and the CFS disclose the restated balances and the restatement is appropriately disclosed with an explanation note.

The PPA arose due to:

- Adjustments that Scottish Government Finance made to the CJS ledger. This impacted on the opening balances pulled through into the 2019/20 annual report and accounts. When preparing the 2019/20 annual report and accounts there was a lack of clarity over the nature/rationale for the change, and a line added into the SOCTE recognising this difference, to ensure the accounts balanced. During this process, the opening general fund figure was presented as a positive balance, when it should have been presented as a negative balance. This meant that the adjustment made by Scottish Government Finance was not accurately presented, although the revised general fund balance was not materially misstated. The current year restatement has corrected the initial opening general fund balance and restated the SG adjustment to ensure the figures are not materially misstated.
- Following review in 2020/21 we noted that the 2019/20 cash flow picked up incorrectly the movements in trade and other receivables and trade and other payables. Additionally, the purchase of property, plant and equipment had been presented as a positive outflow, when this should have been presented as a negative outflow. As a result, the statement of cash flows had been misstated. The restatement corrects these movements, to show the correct cash flow movement in the prior year. It should be noted that this did not effect the actual net decrease in cash and cash equivalents, but only the presentation of how the net decrease had been arrived at, through movements in the primary statements.
- When the Scottish Government finance team prepared the annual report and accounts in 2018/19 on behalf of CJS they included 5 codes which appear in the CJS Trial balance. In 2019/20 these codes were omitted from the Trial balance in error as these are not routine codes that CJS Finance use, or post to (control total accounts). The codes relate to payroll, and how SG management payroll suspense accounts. The balances in these codes, in 2020/21 were above trivial, so needed inclusion this year. Inclusion of these codes has corrected the Cash Flow Statement in the prior year and allowed for the statement to be fully reconciled and balanced with the engagement team and the Head of Finance working closely to ensure this outcome.

There remains a very small, below trivial difference, in cross-referencing of closing balances within the primary statements, due to rounding. This has been noted as a line in the SOCTNE and is in accordance with CJS Accounting policy on rounding. See Action plan for recommendation.

Other key elements of the financial statements

As part of our audit there were other key areas of focus during the course of our work. Whilst not considered a significant risk, these are areas of focus either in accordance with the Audit Scotland Code of Audit Practice or ISAs or through due to their complexity or importance to the user of the accounts.

Issue	Commentary
Matters in relation to fraud and irregularity	It is CJS's responsibility to establish arrangements to prevent and detect fraud and other irregularity. As auditors, we obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We obtain annual representation from management regarding managements assessment of fraud risk, including internal controls, and any known or suspected fraud or misstatement. We have also made inquires of internal audit around internal control, fraud risk and any known or suspected frauds in year. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Accounting practices	We have evaluated the appropriateness of CJS's accounting policies, accounting estimates and financial statement disclosures. Disclosures and accounting policies are in line with the FReM and we have no matters to report.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	We have not been made aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified and we have issued an unmodified opinion in this respect.

Issue	Commentary
Opinion on other aspects of the annual report and accounts	<p>We are required to give an opinion on whether the parts of the Remuneration Report and Staff Report subject to audit have been prepared properly in accordance with the requirements of the FReM, and the Accounts directions thereunder. We have audited the elements of the Remuneration Report and Staff Report, as required, and are satisfied that these have been properly prepared in accordance with applicable legislation. Following our audit management have included in the Remuneration report for the first time the Director of Operations, who acts as Depute Accountable Officer if required. We agree this addition is appropriate.</p> <p>The information given in the Performance Report is consistent with the financial statements and that report has been prepared in accordance with the FReM and directions made thereunder by the Scottish Ministers.</p>
Governance statement	<p>The governance statement is included within the Accountability Report. The report outlines the governance framework in place at CJS. The Report includes the Statement of the Accountable Officer's responsibilities and those of the Members of the Board and had been prepared in accordance with the FReM. In accordance with the Scottish Public Finance Manual (SPFM), the Accountable Officer has a specific responsibility to ensure that arrangements have been made to secure Best Value and this is confirmed in the narrative in the annual report and accounts. There was no matters arising from our review of the governance statement that we want to draw attention to.</p>
Matters on which we report by exception	<p>We are required by the Auditor General for Scotland to report to you if, in our opinion: adequate accounting records have not been kept; or the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective. We have nothing to report in respect of these matters.</p>
Written representations	<p>A letter of representation has been requested from the Board (and Accountable Officer), including specific representations, which is included in the Audit and Committee papers. Specific representations have been requested from management in line with prior years and confirms as auditors all records have been made available to us.</p>

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach. The financial reporting framework adopted by CJS meets this criteria. In accordance with Audit Scotland guidance: Going concern in the public sector, we have therefore considered Management’s assessment of the appropriateness of the going concern basis of accounting and conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Regularity	<p>The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000. In our 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.</p>

Detecting Irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to CJS and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks - International Financial Reporting Standards (IFRS) and the 2020/21 HM Treasury Financial Reporting Manual (FRM).
- We enquired of management and the Audit and Risk Committee (ARC), concerning CJS's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the ARC, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of CJS's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries that could alter CJS's financial performance for the year and potential management bias in determining accounting estimates (holiday pay accrual). Our audit procedures involved are documented within our response to the significant risk of management override of controls.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, included the potential for fraud in expenditure recognition and significant accounting estimates (holiday pay accrual)
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - CJS's operations, including the nature of its operating revenue and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - CJS's control environment, including the policies and procedures implemented by the Board to ensure compliance with the requirements of the financial reporting framework.

Wider scope audit – Smaller body

As set out in our Audit Plan, CJS meets the definition of a smaller body in accordance with the Audit Scotland Code of Practice (2016). Therefore, as auditors we are required to include in our annual report commentary on arrangements as they relate to financial sustainability and the Governance Statement. Our work on the governance statement and conclusions are set out on page 8 and 9 of this report. Below we have captured our commentary and conclusions on financial sustainability and other matters of interest during the year, including governance during Covid-19.

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
Governance arrangements (Audit Scotland planning guidance consideration)	No significant risks identified within our audit planning.	<p>During Covid-19 CJS's governance arrangements continued to operate as intended, and as in prior year. Board and supporting Committees were held on Zoom initially and more recently have moved to Microsoft Teams.</p> <p>At the end of March 2021 the Board chair stepped down from the Board due to health reasons. The Vice-Chair is fulfilling the role on an interim basis, a position they had previously held prior to the Board Chair being recruited.</p> <p>Once a Board Chair is recruited the Board will be back to their full complement of Members.</p> <p>There continues to be an independent member on the Audit and Risk Committee, as reflected in the annual report and accounts. They have specific expertise in finance, governance and risk which is complementing the wider Audit and Risk Committee skills. This appointment is not paid.</p>	<p>Governance arrangements operated effectively during the year.</p> <p>Plans are in place to recruit a new Board Chair, with an appointment being advertised via Public Appointments.</p>

Wider scope dimension	Wider scope risk identified in our audit plan	Wider scope audit response and findings	External Audit conclusion
Financial Sustainability, (as applicable to a smaller body)	No significant risks identified within our audit planning.	<p>CJS have an approved budget for 2021/22 of £3.174 million. £2.464 million of the budget funds CJS staff costs and this includes the Scottish Government pay award. The budget was approved by the Board and is subject to regular financial monitoring at the Board. Additional funding received in year will allow CJS to recruit further, into permanent-posts, and deliver a number of operational projects set out in the CJS business plan.</p> <p>A three year budget scenario paper was prepared. The paper notes the significant spend that CJS has on staff costs recognising the confines of the Scottish Government pay policy and the position of current staff within pay bands. Within the operational budget (non-staff costs) 18% of this budget represents costs which are fixed for example shared service costs related to office accommodation and services provided on behalf of the Scottish Government. This gives little options for in-year cost savings/efficiencies, and are not short term options available to CJS, without forward planning.</p> <p>Options explored include: flat cash, reduction in annual funding of 0.5% and decrease of funding by 1%; 1.5% and 2%.</p> <p>CJS continue to discuss the financial position with Scottish Government.</p>	<p>Future funding scenarios have been considered and reported to the CJS Board. These demonstrate the significant fixed costs that CJS currently have, like many similar Central Government organisations. This leaves little room for flexibility and/or short term savings to be delivered. We will continue to review CJS's financial planning arrangements in 2021/22.</p>

Appendices

1. Audit Adjustments

We are required to report all non trivial misstatements, whether or not the accounts have been adjusted by management. We note below those adjustments, above trivial that management have adjusted. In addition we note the unadjusted difference.

Adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021.

Detail	Statement of Comprehensive Net Expenditure £'s	Statement of Financial Position £'s
Other payables <i>(Inclusion of account codes within trade and other payables which were omitted in error)</i>		(4,000) CR
Wages and Salaries	3,588 DR	
Social Security costs	(182) CR	
Other pension costs	(598) CR	
Other payables <i>(Adjustment to annual leave/flexi time accrual – re-estimation.)</i>		(2,808) CR
Depreciation	1,000 DR	
Administration	1,000 DR	
Other admin costs <i>(Reclassification from other admin costs)</i>	(2,000) CR	
Other admin costs <i>(adjustment to double counting of depreciation within other admin costs)</i>	(2,000) CR	
Overall impact	808 DR	(6,808) CR

Unadjusted differences, not updated in the annual report and accounts

Detail	Statement of Comprehensive Net Expenditure £'s	Statement of Financial Position £'s
General Fund		5,200 DR
Other admin costs <i>(Decrease in current year expenditure in light of EPC expenditure that relates to 2019/20).</i>	(5,200) CR	
 <i>Management have decided not to adjust as not material to the annual report and accounts in their entirety.</i>		
Total	(5,200)	5,200

Disclosure changes

The table below provides details of disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Amended in annual report and accounts
Leases disclosure note amended to ensure the figure was correct and in line with the lease agreement. 'Not later than one year' decreased from £28k to £19k and 'Later than two years and not later than five years' decreased from £9k to £nil.	✓
PPE disclosure note figures amended to ensure accuracy and consistency with prior year	✓
Intangible Assets disclosure note figures amended to ensure accuracy and consistency with prior year	✓
Notional Costs disclosure note presentation amended and line removed from SOCNE due to nil balance in both current and prior year.	✓
Trade receivables and other current assets: reclassification of £6k moved from 'Prepayments and Accrued Income' into 'Other Receivables'	✓
Trade payables and other current liabilities: reclassification of full balance, moved from 'Trade Payables' into 'Other Payables'	✓
Various formatting and minor typing errors across disclosure notes	✓
Various notes added to the remuneration report to enhance the understanding of the reader of the accounts.	✓
Inclusion of the Director of Operations within the Remuneration Report	✓

Disclosure

Amended in annual report and accounts

Fair Pay multiple ratio amended from 2.58 to 2.34. Initial error down to transposition from the initial workings to the draft accounts.

✓

The following marked as 'Subject to Audit' where they were not previously identified as such: Board Members remuneration table, Chief executive/Director of operations remuneration table and CETV/Pensions table, and Staff Costs table.

✓

Minor banding amendment to one Board Members remuneration.

✓

Restatement of the prior year Cash Flow Statement due to the movements in trade and other payables/receivables being materially misstated.

✓

Restatement of the prior year SOCTE due to the opening general fund position being £57k when its should have been £-57k, a material variance of £114k.

✓

Supporting management further streamline the annual report

✓

2. Action plan and recommendations

We have set out below, based on our audit work undertaken in 2020/21, the one recommendation we identified for future management consideration during our audit

Recommendation	Agreed management response
<p>1. Annual accounts process and communication with Scottish Government</p> <p>During our audit we noted some opportunity for finance to enhance their annual account process. In particular we would highlight:</p> <ul style="list-style-type: none"> • Consistency in rounding. In some cases balances were rounded up, or down with no consistent methodology applied, resulting in rounding difficulties. • The need to maintain a tracker, which can then be shared with the Audit and Risk Committee, evidencing the respective changes between the unaudited and audited annual report and accounts. This will ensure no changes are omitted or made incorrectly in error. <p>Lastly the finance team should continue to work with the Scottish Government finance team, to understand SEAS and the ledger codes applicable to CJS and that Scottish Government understand the CJS accounting timeline and when changes can be posted, in agreement with CJS.</p>	<p>Management response: This will be addressed for next annual accounts process with regard to the rounding policy and the tracker for the Audit and Risk Committee.</p> <p>Discussions will take place with Scottish Government finance team with regard to the SEAS ledger codes for CJS.</p> <p>Action owner: Head of Finance</p> <p>Timescale for implementation: 21/22 Annual Accounts Process</p>

Only one prior year external audit recommendation was carried forward as in progress. This was in relation to the creation of a medium term financial strategy and review of budget scenarios over the next three years. We have commented further on this, within this years financial sustainability commentary and therefore closed the 2019/20 action.

3. Audit fees and independence

External Audit Fee

Service	Fees £
External Auditor Remuneration	11,940
Pooled costs	2,290
Contribution to Audit Scotland costs	510
Contribution to Performance Audit and Best Value	Nil
2020/21 Fee	14,740

Fees for other services

We confirm that for 2020/21 we did not receive any fees for non-audit services

Client service

We take our client service seriously and continuously seek your feedback on our external audit service. Should you feel our service falls short of expected standards please contact Joanne Brown, Head of Public Sector Assurance Scotland in the first instance who oversees our portfolio of Audit Scotland work (joanne.e.brown@uk.gt.com). Alternatively, should you wish to raise your concerns further please contact Jon Roberts, Partner and Head of Assurance, 30 Finsbury Square, London, EC2A 1AG. If your feedback relates to audit quality and we have not successfully resolved your concerns, your concerns should be reported to Elaine Boyd, Assistant Director, Audit Scotland Quality and Appointments in accordance with the Audit Scotland audit quality complaints process.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.
- We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.
- We are required by auditing and ethical standards to communicate any relationships that may affect the independence and objectivity of the audit team. We can confirm no independence concerns have been identified.

4. Communication of audit matters

International Standards on Auditing (UK) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table below.

Our communication plan	Audit Plan	ISA 260 (Annual Report to Board and AGS)
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, including planning assessment of audit risks and wider scope risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of CJS's accounting and financial reporting practices, including accounting policies, accounting estimates and financial statement disclosures		•
Significant findings from the audit		•
Significant matters and issues arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

