



Fife and Forth Valley Community Justice Authority

Report on the 2007-08 Audit

December 2008

Contents	Page
1 Executive Summary	1
2 Detailed Findings	2
Appendix A: Action Plan	6

1 Executive Summary

Introduction

We have audited the financial statements of the Fife and Forth Valley Community Justice Authority (the "Authority") for the year ending 31 March 2008 and examined aspects of the Authority's performance and governance arrangements. This report sets out our key findings and discharges our responsibilities under ISA 260 - reporting matters arising from our audit to those charged with governance.

Key Findings

We intend to give an unqualified opinion on the financial statements of the Authority for the 2007-08 financial year. There are no material adjustments to the accounts following our audit.

Responsibility for providing administration and support services to the Authority transferred from Stirling Council to Clackmannanshire Council from 1 January 2008. This is the first year that the Authority has been required to prepare audited accounts.

The Authority's draft financial statements were presented for audit on 4 November 2008, missing the original deadline of 30th September 2008. The Authority has agreed to review its procedures to ensure its financial statements are prepared in accordance with the agreed timetable for the 2008-09 financial year.

The first draft of the accounts did not include a Statement of Internal Financial Control. A Statement has been included in the revised accounts. However, we recommend that in future years the Authority should update its risk management processes to ensure that arrangements are in place to support the production of this Statement.

Our findings and recommendations are summarised in Appendix A, which accompanies this report. This Action Plan has been agreed with management.

Status of our Report

This report is part of a continuing dialogue between the Authority and Grant Thornton UK LLP and is not, therefore, intended to cover every matter, which came to our attention. Our procedures are designed to support our audit opinion and they cannot be expected to identify all weaknesses and inefficiencies in the Authority's systems and work practices.

The report is not intended for use by third parties and we do not accept responsibility for any reliance that third parties may place on it. The report will be submitted to the Accounts Commission for Scotland and will be published on their website at www.audit-scotland.gov.uk.

Acknowledgements

We would like to take this opportunity to thank the staff who have been involved in this review for their assistance and co-operation.

2 Detailed Findings

Introduction

In accordance with the Code of Audit Practice we are required to audit the financial statements of the Consortium for the year ended 31 March 2008 and examine aspects of the Authority's governance arrangements.

In auditing the financial statements we assess whether:

- they present fairly the Authority's financial position as at 31 March 2008 in accordance Management of Offenders etc. (Scotland) Act 2005 (the Act) and the CIPFA 2007 Statement of Recommended Practice (2007 SORP); and
- the Statement on the System of Internal Financial Control is consistent with the information we obtain through our audit.

Matters Arising

We have given an unqualified opinion on the Consortium's 2007-08 financial statements. Under ISA 260, we are required to communicate certain matters arising from the audit to those charged with governance. The areas considered are summarised in the table below:

Area	Key Messages
<p style="text-align: center;">Independence and objectivity of the audit team</p>	<p>We are able to confirm our independence and objectivity as auditors and note the following:</p> <ul style="list-style-type: none"> • we are independently appointed by Audit Scotland; • we comply with the Auditing Practices Board's Ethical Standards; and • we have not performed any non Code of Audit Practice (the Code) or advisory work during the year.

Area	Key Messages
Approach to the audit	<p>Our approach to the audit was set out in our 2007-08 audit plan. We have planned our audit in accordance with International Auditing Standards and the Code. Other key factors to highlight include:</p> <ul style="list-style-type: none"> • we consider the materiality of items in the financial statements both in determining the approach to audit them and in determining the impact of any errors; • the Authority's financial affairs are managed by Clackmannanshire Council and rely on the Council's financial systems for processing, recording and reporting transactions. Grant Thornton UK LLP are also the auditors of Clackmannanshire Council and, during the 2007-08 financial year, we performed audit work on the core financial systems in operation at the Council. Our work did not identify any specific control weaknesses in the financial systems operated by the Council that we need to draw to the Authority's attention; and • we have been able to place reliance on the work of internal audit in respect of the key accounting systems.
Quality of the Accounts	<p>The draft financial statements were presented for audit on 4th November 2008. The accounts and supporting working papers were of a good standard and, as a result, few adjustments were required following our audit.</p>
Accounting policies and practices	<p>We consider that the Chief Officer has adopted appropriate accounting policies in the areas covered by our testing, in accordance with the 2007 SORP.</p> <p>The Chief Officer has considered and confirmed that the Authority remains a going concern and confirms this in the Letter of Representation.</p>
Material risks and exposures	<p>The Authority has considered and confirmed that it has no material risks and exposures, which should be reflected in the financial statements, and the Chief Officer will confirm this in the Letter of Representation.</p>
Audit adjustments and unadjusted errors	<p>We identified several disclosure amendments to improve the presentation of the accounts.</p> <p>There are no adjusted or unadjusted differences to report.</p>

The key matters arising from the audit are:

Statement of Internal Financial Control

The draft accounts presented for audit did not contain a Statement of Internal Financial Control. We would recommend that in future years the Chief Officer should review the system of internal control to ensure that she has adequate assurance to sign the Statement at the year end.

Procedures for producing the statement of internal financial control should be developed to ensure that the Chief Officer has sufficient assurance to sign the statement and that all relevant changes to the control environment in the year are identified.

Action plan point 1

Reliance on Constituent Authorities

The transfer of host authority functions from Stirling Council to Clackmannanshire Council went very smoothly during the year and did not cause any disruptions to the ongoing operations of the Authority. However, we noted that the ability Clackmannanshire Council has to deliver quarterly monitoring reports and the draft annual accounts depends on other constituent authorities providing information on a timely basis. This year the audit of the Authority's accounts was hampered as a result of Fife Council's Section 27 grant remaining unaudited during the audit fieldwork.

We recommend that the Authority establishes an agreed timetable with constituent authorities to ensure that no further delays are encountered in 2008/09.

Action plan point 2

Accounting Issues

The Authority's draft financial statements were presented for audit on 4 November 2008, missing the original deadline of 30th September 2008. We noted that the standard of the draft accounts and working papers prepared by Clackmannanshire Council on the Authority's behalf was good. However, the draft accounts reflected only the administration grant income and expenditure, rather than the funds received from Scottish Government and the amounts distributed to Councils for the Section 27 grant, as required by the Community Justice Authorities Guidance Note 2 - Management Statement/Financial Memorandum.

We received revised accounts, updated to incorporate agreed adjustments identified through the audit process on 3 December 2008. There were no material errors that were not adjusted in the accounts.

Action plan point 3

Summary of adjusted audit differences

This is a summary of audit differences processed by the Authority during the course of our audit.

	Income & Expenditure account		Balance Sheet	
	Dr £000s	Cr £000s	Dr £000s	Cr £000s
Adjustments affecting reported results				
Inclusion of Section 27 Grant income and expenditure	10,402	10,402	255	255

Appendix A: Action Plan

No	Finding	Risk	Recommendation	Management Response	Implementation date
1	The accounts presented for audit did not contain a statement of internal financial control.	Medium	Procedures for supporting the production of a Statement of Internal Financial Control should be developed to ensure that the Chief Officer has sufficient assurance to sign the statement and that all relevant changes to the control environment in the year are identified.	Agreed.	March 2009
2	The ability Clackmannanshire Council has to deliver quarterly monitoring reports and the draft annual accounts depends on other constituent authorities providing information on a timely basis.	Medium	The Authority should establish an agreed timetable with constituent authorities to ensure that no delays for data requests are encountered in 2008/09.	Agreed.	March 2009
3	The Authority's draft financial statements were presented for audit on 4 November 2008, missing the original deadline of 30th September 2008. In addition, the draft accounts contained a number of errors.	Medium	The Authority should ensure it meets the agreed timetable for submitting unaudited accounts to improve overall stewardship arrangements. The draft accounts should be subject to supervisory review before submission to audit.	The accounts timetable will be reviewed to ensure deadlines are met. The accounts will be subject to supervisory review prior to submission for audit.	June 2009



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