

North Strathclyde Community Justice Authority

Report to Members and the Auditor General for Scotland on
the 2008/09 Audit

October 2009



 AUDIT SCOTLAND

North Strathclyde Community Justice Authority

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Key Messages

In 2008/09, we audited the financial statements of North Strathclyde Community Justice Authority and examined various aspects of governance within the organisation. This report sets out our main findings.

The main conclusions and outcomes from the audit are highlighted below:

- An unqualified opinion has been issued on the financial statements for 2008/09.
- The Statement on the System of Internal Financial Control included within the accounts complies with accounting requirements and is not inconsistent with audit findings.
- Final accounts preparation procedures and working papers were good and this enabled the audit to progress smoothly.
- Some aspects of a sound corporate governance framework were developed in 2008/09 with work ongoing in other areas.

Renfrewshire Council provide internal audit services to North Strathclyde Community Justice Authority. The Statement on the System of Internal Financial Control for the year 2008/09, signed by the Treasurer and Chief Officer of North Strathclyde Community Justice Authority, concluded that North Strathclyde Community Justice Authority had in place a sound system of internal financial control with no identified material weaknesses. Our audit work resulted in findings consistent with that opinion.



October 2009



Introduction

1. This report summarises the findings from our 2008/09 audit of North Strathclyde Community Justice Authority. Findings are set out in three sections: financial statements, corporate governance and performance.

Financial statements

2. In this section we summarise key outcomes from our audit of North Strathclyde Community Justice Authority's financial statements for 2008/09.

Auditor's report

3. We have given an unqualified opinion on the financial statements of North Strathclyde Community Justice Authority for 2008/09, concluding that the financial statements:
 - present a true and fair view, in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder, of the state of affairs of the body as at 31 March 2009 and of its deficit and cash flows for the year then ended
 - have been properly prepared in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder.

Financial position

4. As at 31 March 2009, North Strathclyde Community Justice Authority's balance sheet had an excess of assets over liabilities of £15,850. During 2008/09 however, North Strathclyde Community Justice Authority recorded a deficit of £38,888 on its operating activities, reduced to £26,226 after taking into consideration the interest earned during the year. The main reason for this deficit was a payment of £30,000 to Argyll, Bute and Dunbartonshire's' Criminal Justice Social Work Partnership in respect of expenditure incurred by West Dunbartonshire Council which had not been budgeted for. The authority had originally planned to break-even over the year.
5. The vast majority of income and expenditure shown on the face of the authority's Income and Expenditure account (£10,720,936 in both cases) relates to the receipt and payment of section 27 grant funding received from the Scottish Government. In a situation where a council overspends its allocation of the section 27 funding, the authority has the ability to vire funding from another council which has under-spent. However, where the council's overspend cannot be funded in this manner, it

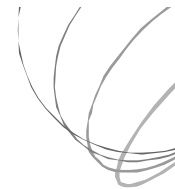


is the council's responsibility and there is no direct impact on North Strathclyde Community Justice Authority.

6. Note 9 to the accounts presents the accumulated position as per the annual audited expenditure returns for all of the constituent authorities. This note reports that Core, Non-core and other services are under spent (by £210,962, £263,947 and £14,310 respectively). These under spends are however off-set by overhead costs and an over spend in relation to capital projects to produce an overall deficit of £59,142. As mentioned in paragraph 5, this over-spend has no direct impact on the authority, however a decision was taken to make an additional payment of £30,000 from its reserves to West Dunbartonshire Council in 2008/09, as referred to in paragraph 4. This was reported to a meeting of the authority in June 2009.

Account preparation and submission

7. The authority's financial statements were presented to audit in line with an agreed timetable. Final accounts preparation procedures and working papers were good and only presentational changes were required to the accounts submitted for audit. This enabled the audit to progress smoothly.
8. Community justice authorities are required to prepare accounts in line with the Scottish Government Criminal Justice Directorate's Guidance Note Two; Management Statement / Financial Memorandum. This memorandum sets out the format of the accounts and requires that the local authority Code of Practice – A Statement of Recommended Practice (the 'SORP') be followed. The financial statements of North Strathclyde Community Justice Authority comply with the provisions of both the financial memorandum and the SORP.
9. In our 2007/08 Annual Report to Members we recommended that the authority should consider ways on enhancing the clarity of the financial statements. The 2008/09 statements do incorporate a change with regard to the splitting out of section 27 and administration grant funding from the Scottish Government on the face of the income and expenditure account. However, we consider there are further areas where clarity could be improved and these will be discussed with officers as part of our 2009/10 audit.
10. Audited accounts were certified on 20 October 2009. The financial statements are an essential means by which the authority accounts for its stewardship of the resources made available to it and its financial performance in the use of those resources.



Regularity

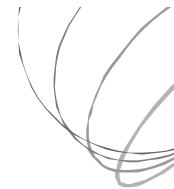
11. Each year we request written confirmation from the Treasurer that North Strathclyde Community Justice Authority's financial transactions accord with relevant legislation and regulations. Any significant legal requirements are also included in audit programmes and checklists. The Treasurer has confirmed that, to the best of her knowledge and belief and having made appropriate enquiries of members and officials of North Strathclyde Community Justice Authority, the financial transactions of the authority were in accordance with the relevant legislation and regulations governing its activities.

Corporate governance

12. In this section we comment on key aspects of the authority's governance arrangements during 2008/09.

Overview of arrangements and 2008/09 developments

13. It has been agreed that the authority will adopt Renfrewshire Council's (as lead council) policies and procedures until such time as the authority had the opportunity, where necessary, to develop and approve such matters.
14. Internal audit duties are fulfilled by Renfrewshire Council's dedicated section. During 2008/09, an internal audit report was issued concerning governance arrangements, as well as an annual report at the end of the year. This governance report recommended that the authority should review its risk register on an annual basis with a fundamental review on a tri-annually. It also recommended that a co-ordinated reporting system should be established which incorporates feedback on all complaints and whistle-blowing allegations. The report concluded that although most elements necessary for corporate governance were in place, as a matter of urgency a Code of Corporate Governance should be prepared and presented to the authority for approval.
15. Subsequently, a Code of Corporate Governance was approved at a meeting of the authority in September 2009. Also approved at this meeting was a Code of Conduct for Staff which covers areas such as duties and responsibilities, accountability, conflicts of interest, integrity, relations with the public, resources, handling official information, staff concerns about improper conduct and obligations concerning staff after leaving employment.
16. Our 2008/09 review of Renfrewshire Council's systems on which the authority relies concluded that there were no material weaknesses.



17. The 2007/08 Annual Report to Members recommended that capital expenditure should be subject to regular authority oversight. During 2008/09, information regarding capital expenditure has been reported to the authority as part of the regular section 27 expenditure reporting cycle. A second point was raised concerning the omission of service level agreements between the authority and Renfrewshire Council for the provision of support services. We understand that an agreement concerning committee and legal services is now in place and that a draft agreement exists for the provision of finance and IT services.
18. The 2007/08 report also identified the lack of service level agreements between the constituent authorities and contracting organisations for the provision of services as an issue. Based on the audited submissions from the various councils this remains an issue for the authority to address.

Prevention and detection of fraud and irregularities

19. The recently approved Code of Conduct for Staff, as referred to previously in paragraph 15, incorporates the procedure for the reporting of fraud which involves raising the matter with the Chief Officer in the first instance. The Code also outlines the use of Renfrewshire Council's 'Whistle Blowing Policy' regarding more serious and sensitive issues where the member of staff cannot follow normal procedures.

Performance

20. In this section we summarise how the authority is developing its performance framework arrangements.

Overview of performance in 2008/09

21. In our 2007/08 report, we highlighted the development of the National Strategy for the Management of Offenders which outlined a set of outcomes for community justice authorities to achieve. Following on from this, the new National Performance Framework became operational in April 2009 which provides transparency to the Scottish Government and the public on progress towards a reduction in re-offending and serious harm caused by known offenders. This framework also supports local performance measurement, management and quality assurance by the community justice authority chief officers. A draft Integrated Performance Framework was reported to the authority in June 2009 in order to meet the requirements of the national framework at a local level.