

Glasgow Community Justice Authority

**Report to Members and the Auditor General
on the 2009/10 Audit**

October 2009

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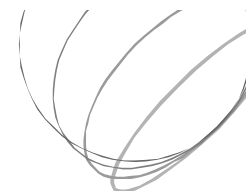
AUDIT SCOTLAND

Glasgow Community Justice Authority

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Key Messages

Introduction

Glasgow Community Justice Authority was established through the Management of Offenders etc (Scotland) Act 2005. The Act established eight community justice authorities to provide strategic bodies for planning, managing and reporting on the performance of the local authorities and their statutory partners who co-ordinate offender services.

In 2009/10 we audited Glasgow Community Justice Authority's financial statements and governance arrangements. This report sets our main findings, summarising key outcomes from the 2009/10 audit and the outlook for the period ahead.

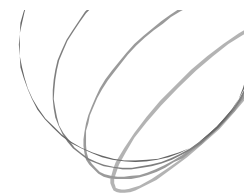
Key outcomes from 2009/10 audit

We have given an unqualified opinion on the financial statements of Glasgow Community Justice Authority for 2009/10.

Outlook

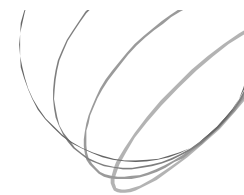
The Authority will adopt IFRS accounting for the first time in 2010/11. We will be discussing preparations for this change with officers during the year.

From next year, Community Payback Orders (CPOs) will be replacing a range of existing community penalties. A significant increase in the volume of workload for Criminal Justice Social Work Services is anticipated.



Introduction

1. This report summarises our findings from the 2009/10 audit of Glasgow Community Justice Authority. The report focuses mainly on the Authority's financial statements and any significant findings that have arisen throughout the year. The scope of the audit was set out in the annual audit plan issued on 11 February 2009.
2. The financial statements are the means by which the Authority accounts for its stewardship of the resources made available to it and its financial performance in the use of these resources. It is the responsibility of the Authority to prepare financial statements that give a true and fair view of the state of affairs of the body as at 31 March 2010 and of its net operating cost and cash flows for the year ended and that the expenditure and receipts were incurred or applied in accordance with enactments and guidance.
3. Members and officers are responsible for the management and governance of the organisation. As external auditors, we review and report on the arrangements in place and seek to gain assurance that:
 - the Authority's system of recording and processing transactions provides an adequate basis for the preparation of the financial statements and the effective management of assets and interests
 - the Authority has adequate governance arrangements which reflect the three fundamental principles of openness, integrity and accountability
 - the systems of internal control provide an appropriate means of preventing or detecting material misstatement, error, fraud or corruption.
4. This report is addressed to members and the Auditor General.



Financial statements

Introduction

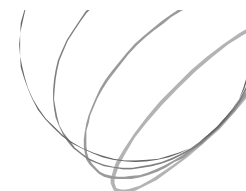
5. In this section we summarise key outcomes from our audit of the Authority's financial statements for 2009/10.
6. We audit the financial statements and give an opinion on:
 - whether they give a true and fair view , in accordance with the Management of Offenders etc. (Scotland) Act 2005 and regulations made thereunder, of the state of affairs of the body as at 31 March 2010 and of its net operating cost and cash flows for the year then ended
 - whether they have been prepared properly in accordance with the Management of Offenders etc. (Scotland) Act 2005 and regulations made thereunder.
7. We also review the Statement on the System of Internal Financial Control by considering the adequacy of the process put in place by the Authority to obtain assurances on systems of governance and internal financial control and assessing whether disclosures in the statement are consistent with our knowledge.

Audit Opinion

8. We have given an **unqualified** opinion that the financial statements of Glasgow Community Justice Authority for 2009/10 give a true and fair view of the state of affairs of the body as at 31 March 2010 and of its net operating cost and cash flows for the year then ended and that the expenditure and receipts were incurred or applied in accordance with enactments and guidance.
9. We were satisfied with disclosures made in the statement on the system of internal financial control and the adequacy of the process put in place by the Authority to obtain assurances on systems of control.
10. The Authority's unaudited financial statements were submitted to external audit by the deadline of 30 June. Audited accounts were finalised prior to the target date of 31 October 2010 and will be submitted to Ministers in order to be laid before the Scottish Parliament prior to the deadline of 31 December 2010.

Accounting issues

11. Community justice authorities in Scotland are required to follow the *Code of Practice on Local Authority Accounting in the United Kingdom – a Statement of Recommended Practice* (the SORP).



No major changes, affecting the Authority, were introduced by the 2009 SORP. We were satisfied that the Authority prepared the accounts in accordance with the 2009 SORP.

Pension Disclosures

12. Glasgow Community Justice Authority is an admitted body of the Strathclyde Pension Fund and has been since 2008/09. The Authority obtained an actuarial report under FRS17 and this has been reflected in the financial statements.

Prevention and detection of fraud and irregularities

13. The Authority does not have in place its own arrangements for the prevention and detection of fraud and corruption, but complies with the relevant policies of Glasgow City Council.

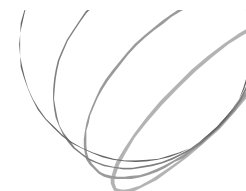
Regularity

14. The Public Finance and Accountability (Scotland) Act 2000 imposes a responsibility on auditors that requires us to certify that, in all material respects, the expenditure and receipts shown in the accounts were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish ministers. We have been able to address the requirements of the regularity assertion through a range of procedures, including written assurances from the Accountable Officer as to her view on adherence to enactments and guidance. No significant items were identified for disclosure.

Financial reporting outlook

15. Central government and NHS bodies have moved from UK Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS) in 2009/10. The intention is that local government will adopt IFRS for 2010/11. Although the Community Justice Authority is a central government body, it follows local government accounting practice so it is expected to adopt IFRS accounting for the first time in 2010/11. We will be discussing preparations for this change with officers during the year.

Action Point 1



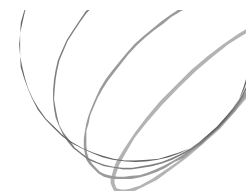
Use of resources

Financial results

16. In 2009/10, the Authority's total expenditure was £19.730 million. This was met mainly by the Section 27 criminal justice grant of £18.544 million paid by the Scottish Government. The s27 grant is split between core and non-core services in accordance with the 2009/10 grant allocation.
17. The Authority spent in excess of its grant allocation with regard to core funding. The excess expenditure of £0.975 million was met by Glasgow City Council social work services.

Outlook

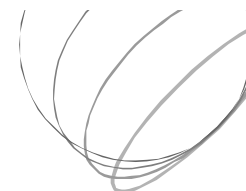
18. The authority's s27 grant allocation for next year (2010/11) is £18.513 million, this is a decrease of 0.16% on 2009/10. No inflationary uplift has been applied to either core or non-core allocations due to tight funding constraints.
19. The Criminal Justice and Licensing (Scotland) Bill which was passed on 30 June 2010 by the Scottish Parliament will introduce a number of significant reforms to the Criminal Justice system. One such reform is the introduction of a new Community Payback Order (CPO) to replace a range of existing community penalties. A significant increase in the volume of workload for Criminal Justice Social Work Services is anticipated. Additional national funding has been granted for 2010/11 to assist in the introduction of Community Payback Orders. For Glasgow, this represents an overall increase of £0.485 million from the final allocation in 2009/10.



Governance and accountability

Overview of arrangements in 2009/10

20. We believe that an effective organisation is committed to high standards of probity and can demonstrate high standards of governance and accountability. It has effective political and managerial structures and processes to govern decision-making and the exercise of authority within the organisation, supported by mature and effective relationships between members and officers.
21. The Authority has a responsibility to put in place arrangements for the conduct of its affairs, ensure the legality of activities and transactions and to monitor the adequacy and effectiveness of these arrangements in practice. As auditor I have responsibility to report on the Authority's corporate governance arrangements and review the statement on the system of internal financial control.
22. The role of Chief Officer became vacant in August 2008. A number of unsuccessful recruitment campaigns resulted in the post being filled by the former Planning and Development Officer, in an acting-up capacity. In March 2010 this officer took up the position of Chief Officer on a permanent basis.
23. The Authority commissions support services such as HR, Finance and IT services from Glasgow City Council under a service level agreement. These are paid for by the CJA Administration budget.
24. In accordance with the Authority's minute of agreement, financial transactions are processed through Glasgow City Council's financial systems. It is the responsibility of the council's management to maintain adequate financial systems and associated internal controls, both for the purpose of giving an opinion on the statements of accounts, and in order to report on the adequacy of such systems and controls. My review was conducted as part of the audit of Glasgow City Council and supplemented by specific audit work on the Authority's financial statements. My conclusions are that overall, Glasgow City Council's financial systems are adequate for the purpose of producing the financial statements. No areas of concern were identified relating to the transactions.
25. The statement on the system of internal financial control states that reasonable assurance can be placed upon the adequacy and effectiveness of the Authority's internal financial control system. The statement complies with accounting requirements and is not inconsistent with the findings of our audit.

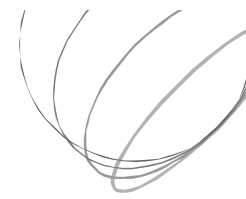


Performance Management and Improvement

26. The Scottish Government Justice Department originally developed measures that determined the progress authorities made against the outcomes set out in the National Strategy for the Management of Offenders. However this has now been superseded by “Fair, Fast and Flexible Justice”, which sets out the national direction for offender management policy.
27. Glasgow CJA has an integrated performance framework originally developed in partnership with the Scottish Government in 2007/08. This integrated framework combines the agreed national measures with Scotland wide indicators, agreed by all CJAs, and more local measures.
28. CJAs performance management framework recognises that most of the outcomes, that will make a difference for communities, offenders, and the justice system, are delivered through joint action which extends across Community Planning Partnerships and not criminal justice agencies alone.

Performance outlook

29. Following a review of the National Integrated Performance Framework for CJAs, the government had determined that it does not need a single national framework but has instead suggested that CJAs should consider success criteria and indicators to measure CJA performance. The national CJA Planning Officers Group is considering this and whether the success criteria and indicators set out to measure performance should be aligned to the outcomes in “Fast, Fair and Flexible Justice”. Local reporting structures include area plan progress reporting and statistical monitoring.

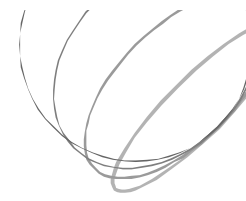


Final Remarks

30. Attached to this report is an action plan setting out the key risks identified by the audit which we are highlighting for the attention of members. In response, officers have considered the issues and have agreed to take the specific steps set out in the column headed 'planned management action'. On occasion, officers may choose to accept the risk and take no action. Alternatively, there may be no further action that can be taken to minimise the risk. Where appropriate, the action plan clearly sets out management's response to the identified risks.

31. Appropriate mechanisms should be considered and agreed by members for monitoring the effectiveness of planned action by officers. We will review the operation of the agreed mechanism as part of the 2010/11 audit.

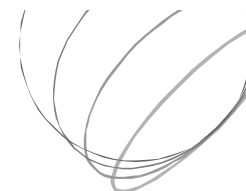
32. The co-operation and assistance given to us by Glasgow Community Justice Authority staff is gratefully acknowledged.



Appendix A

External audit reports and audit opinions issued for 2009/10

Title of report or opinion	Date of issue	Date presented to committee
Annual Audit Plan	11/2/10	4/5/10
Report on financial statements to those charged with governance	18/10/10	-
Audit opinion on the 2009/10 financial statements	18/10/10	-
Report to members	26/10/10	22/02/11



Appendix B Action Plan

Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1.	15	IFRS The authority needs to plan arrangements for managing the introduction of IFRS. <i>Risk: The authority may not be prepared for producing IFRS compliant financial statements.</i>	Identify a timetable and actions for the implementation of IFRS. Prepare IFRS compliant financial statements for 2010/11.	CJA Financial Advisor	30 June 2011