

# Tayside Community Justice Authority

## Annual report on the 2010/11 audit



Prepared for the Members of Tayside Community Justice Authority and the Auditor General for  
Scotland

November 2011

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

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# Key messages

## Introduction

Tayside Community Justice Authority (the authority) was established under 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 local authorities, the Scottish Prison Service and their statutory partners who co-ordinate offenders' services.

This report summarises the findings from the 2010/11 audit of Tayside Community Justice Authority. We have audited the financial statements and looked at aspects of performance management and governance. This report sets out our main findings from the 2010/11 audit and the outlook for the period ahead.

## Key outcomes from the 2010/11 audit

We have given an unqualified opinion on the financial statements of the Tayside Community Justice Authority.

## Outlook

Looking ahead, it is clear that public sector spending in the period 2012/13 to 2014/15 remains very challenging both from a funding and service demand perspective. The authority, like other public sector bodies will continue to face significant challenges in delivering the Area Plan 2011-14, within increasing financial constraints. In the past individual councils have subsidised some aspects of provision of criminal justice social work services but this is unlikely to be sustainable going forward in the current economic climate, highlighting the need for strong financial planning, sound performance management and joint working.

The co-operation and assistance given to us by Tayside Community Justice Authority and staff during the year is gratefully acknowledged.

# Introduction

1. This report is the summary of our findings arising from the 2010/11 audit of Tayside Community Justice Authority (the authority) and summarises the auditor's opinions (i.e. on the financial statements) and conclusions and any significant issues arising. The scope, nature and extent of the audit are set out in our Annual Audit plan submitted to the authority in April 2011.
2. Appendix A is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "planned management action". We do not expect all risks to be eliminated or even minimised. What we expect is that the authority understands its risks and has arrangements in place to manage these risks. The board and Accountable Officer should ensure that they are satisfied with the proposed management action and have a mechanism in place to assess progress.
3. This report is addressed to Tayside Community Justice Authority and the Auditor General and should be considered by the board, either prior to or as soon as possible after the formal completion of the audit of the financial statements. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
4. This report will be published on our website after consideration by the board.
5. The management of the authority is responsible for preparing financial statements that show a true and fair view and for implementing appropriate internal control systems. Weaknesses or risks identified by auditors are only those which have come to our attention during their normal audit work, and may not be all that exist. Communication by auditors of matters arising from the audit of the financial statements 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.

# Financial statements

6. Audited bodies' financial statements are an essential part of accounting for their stewardship of the resources made available to them and their performance in the use of those resources.
7. Auditors are required to audit financial statements in accordance with the timescales set by Audit Scotland, which may be shorter than statutory requirements, and give an opinion on:
  - whether they give a true and fair view of the financial position of audited bodies and their expenditure and income
  - whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
  - the regularity of the expenditure and income.
8. Auditors review and report on, as appropriate, other information published with the financial statements, including the management commentary and the statement on internal control. This section summarises the results of our audit on the financial statements.

## Audit opinion

9. We have given an unqualified opinion that the financial statements of the authority for 2010/11
  - give a true and fair view in accordance with the Management of Offenders etc (Scotland) Act 2005 and regulations made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2011 and of its income and expenditure for the year then ended
  - have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2010/11 Code; and
  - have been prepared in accordance with the requirements of the Management of Offenders etc. (Scotland) Act 2005) and regulations made thereunder by the Scottish Ministers.
10. The authority's unaudited financial statements were submitted to external audit by the 30 September 2011 and the audited accounts were finalised by the target date of 31 October 2011. The audited accounts will be submitted to Ministers in order to be laid before the Scottish Parliament prior to the deadline of 31 December 2011.

## Regularity

11. 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 are incurred or applied in accordance with applicable enactments and guidance issued by 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 his view on adherence to enactments and guidance. No significant issues were identified for disclosure.

## Accounting issues

12. Community Justice Authorities in Scotland are required to follow the Code of Practice on Local Authority Accounting in the United Kingdom. The 2010/11 Code introduced the requirement for Community Justice Authorities to prepare their financial statements under International Financial Reporting Standards (IFRS). This has resulted in some significant changes to the presentation of the financial statements.
13. Overall we were satisfied that the authority had prepared the accounts in accordance with the Code.
14. We have reported to the Accountable Officer in accordance with International Standard on Auditing 260 (ISA 260) - *communication of audit matters to those charged with governance*. There were no material weaknesses in the accounting and internal control systems identified during the audit which could adversely affect the ability to record, process, summarise and report financial and other relevant data and no significant changes were required between the audited and unaudited accounts.
15. In line with previous years no provision has been made in the 2010/11 accounts for pension liabilities under International Accounting Standard 19 - *employee benefits* (IAS 19) given the immateriality of any such provision, as well as the cost involved in obtaining an IAS 19 valuation from the actuary. The approach is consistent with the majority of Community Justice Authorities and it will continue to be monitored by the authorities with a view to including such a provision should costs become more significant.

## Financial reporting outlook

16. The introduction of IFRS saw significant changes in the accounting requirements for bodies required to follow the 2010/11 Code of Practice on Local Authority Accounting. Change on such a significant scale is not planned for 2011/12. However, the Scottish Government Criminal Justice Directorate is reviewing and revising the Financial Memorandum and this may bring some changes.

# Financial position

17. This section summarises key aspects of the authority's reported financial position to 31 March 2011, including our views on potential financial risks. Our findings and key messages are set out in this section, highlighting the significant challenges being faced by the authority in managing on-going financial pressures in funding existing service delivery and improvement..

## Financial position at 31 March 2011

18. The authority's expenditure in 2010/11 was £8.570 million. This was funded through the Scottish Government Section 27 Criminal Justice Grant of £8.351 million and an administration grant of £0.218 million.
19. The Section 27 grant is split between core and non-core services in accordance with the 2010/11 grant allocation. The authority disbursed the Section 27 grant to constituent councils as follows:
- Angus Council - £1.451 million (2009/10 - £1.437 million)
  - Dundee City Council - £5.188 million (2009/0 - £5.220 million)
  - Perth & Kinross Council £1.712 million (2009/10 - £1.386 million)
20. The authority received an allocation of £8.351 million from the Scottish Government for Section 27 expenditure. The overall spend in relation to core and non-core Section 27 projects and overheads was £8.608 million. As the authority is entitled to the lower of actual spend or total allocation funding was restricted to the allocation of £8.351 million with the balance of £0.257 being funded directly by constituent councils.

## Outlook

21. The authority's Section 27 grant allocation for 2011/12 is £8.124 million. As at the end of quarter one the projected outturn was in line with the grant allocations with all projects showing a projected spend on budget. Historically it has been the case that individual councils have subsidised some aspects of the provision of criminal justice social work services but this may not be sustainable in the current economic climate. The authority has already begun to feel the financial pressure having had to identify savings of £0.125 million from non-core projects to meet a shortfall on funding for the East Port House project.

**Refer action plan no. 1**



# Governance and accountability

22. High standards of governance and accountability, with effective structures and processes to govern decision-making and balanced reporting of performance to the public, are fundamental features of best value. This section sets out our findings from a review of the authority's arrangements.

## Overview of arrangements

23. Corporate governance is concerned with the structures and processes for decision making, accountability, controls and behaviours. The Statement on the System of Internal Financial Control highlights that the authority has a "framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability".
24. During 2010/11 the authority has continued to implement the expected policies and procedures required by the Scottish Government Community Justice Directorate's Financial Memorandum of 2008.
25. Dundee City Council provides a range of support services to the authority under a service level agreement. The original agreement was due to expire on 31 March 2011. However, this has been extended for a further year whilst the Chief Officer and officers from Dundee City Council review the existing arrangements with a view to delivering costs savings and other efficiencies. The cost of these services is met through the authority's administration budget.
26. Financial transactions are processed through Dundee City Council's financial systems. It is the responsibility of the council's management to maintain adequate financial systems and associated internal controls. I review these arrangements for the purpose of giving an opinion on the statement of accounts, and in order to report on the adequacy of such systems of controls. My review was conducted as part of the audit of Dundee City Council and supplemented by specific work on the authority's financial statements. My conclusions are that overall; Dundee 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.

# Performance management and improvement

27. In this section we summarise how the authority is developing its performance management arrangements.

## Overview of performance in 2010/11

28. The National Strategy for the Management of Offenders outlined a set of outcomes that the community justice authorities should achieve for communities, offenders and the justice system. The Scottish Government Criminal Justice Directorate has been developing measures that will determine the progress authorities have made against these outcomes. This work introduced a national framework with effect from April 2009.
29. The Tayside Community Justice Authority's Area Plan 2011-2014 sets out the strategic direction for the management and development of offender services and a range of short and medium term outcomes agreed with partner agencies. An action plan for 2010-11 was also prepared, setting out the authority's key developments and how they would be implemented, including preparing for the introduction of the new "Community Payback Orders". Each action was clearly linked to the outcomes of the National Strategy for the Management of Offenders. An action plan for 2011-12 setting out the authority's top 5 priorities has also been prepared and submitted to the government for approval.
30. In June 2011 a report to the authority highlighted that 82% of the actions in the 2010-11 (28 out of 34) had been completed. Action to implement the remaining 6 actions is on-going.
31. The meeting in June also received a report on the progress made on the delivery of the 2011-14 Strategic Objectives for which:
- each key objective has been allocated a specific group to take it forward
  - progress is being made to develop a comprehensive set of baselines and targets with which to measure progress
  - work is under way to develop systems to capture relevant data for the various performance indicators.

## Risk management

32. Risk is the threat that an event, action or inaction will adversely affect an organisation's ability to achieve its objectives. Risk management is the process of identifying, evaluating and controlling risks. Risk management supports decision making and contributes to performance improvement.
33. The authority is currently working with other Community Justice Authorities, through the Chief Officers Group to develop a National Risk Register recognising the national risks to the

provision of criminal justice social work services. Work had initially been planned to commence in December 2010 but was postponed until March 2011 whilst authorities considered their response to the Scottish Government's Budget Allocation Consideration Process.

**Refer action plan No 2**

# Appendix A: action plan

## Key Risk Areas and Planned Management Action

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
1	21.	<p><b>Sustainability of service delivery</b></p> <p>In the past individual councils have subsidised some aspects of provision of criminal justice social work services but this may no longer be sustainable in light of the on-going budget cut..</p> <p><b><i>Risk – The CJA may be unable to deliver the required level of service</i></b></p>	<p>The elected members and officers of the Authority are acutely aware of the current and future public sector finance landscape and the pressure on funding levels, budgets and resilience across the public sector. The Authority will enhance its work with its statutory partners, other service providers and stakeholders, to ensure that all expenditure under the Section 27 grant is demonstrably best value.</p> <p>The Authority will enhance the opportunity for statutory partners to engage in the budget preparation process so as to ensure that the impact of constrained funding levels on service provision is fully identified and understood.</p>	Chief Officer and Treasurer	Ongoing
2	33.	<p><b>Risk register</b></p> <p>The authority is currently working with other</p>	The Authority has contributed to the development of the national Risk Register	Chief Officer	Each quarterly meeting of the

Action Point	Refer Para No	Risk Identified	Planned Management Action	Responsible Officer	Target Date
		<p>Community Justice Authorities, through the Chief Officers Group to develop a National Risk Register recognising the national risks to the provision of criminal justice social work services.</p> <p><b><i>Risk – delays in completing this review could result in risks being missed or inadequately addressed</i></b></p>	<p>which is expected to be completed by the summer of 2012.</p> <p>The Register will then be submitted to the Authority for adoption. In the interim it remains a standing item of the Authority's quarterly meetings.</p>		Authority