



# **Glasgow Community Justice Authority**

2015/16 Annual audit  
report to Members and  
the Auditor General for  
Scotland

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# Key contacts

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Elaine Barrowman, Senior Audit Manager, Audit Scotland is the appointed external auditor of Glasgow Community Justice Authority for the period 2011/12 to 2015/16.

This report has been prepared for the use of Glasgow Community Justice Authority and no responsibility to any member or officer in their individual capacity or any third party is accepted.

The information in it may be used by the Auditor General in support of her wider responsibilities, including reporting to the Scottish Parliament.

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# Key messages

## Audit of financial statements

- An unqualified independent auditor's report was issued on the 2015/16 financial statements.
- The working papers provided were of a good standard and officers provided good support to the audit team enabling the audit to be completed by the target date.
- The financial statements of the Glasgow Community Justice Authority have been prepared on a going concern basis. The net liability on the Balance Sheet relates to the value of the pension liability and we are not aware of any events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern.

## Financial management and sustainability

- The Glasgow Community Justice Authority's financial management arrangements are adequate.
- Rising demands for and costs of service provision will continue to place a strain on the Authority's financial position.

## Governance & performance

- The Board has sound and well established governance arrangements in place.
- Systems of internal control operated effectively during 2015/16.
- An Area Plan is in place for the period 2014 to 2017, which sets out the Authority's aims and objectives.
- The 2015/16 Annual Report was approved by the Board in September 2016.

## Outlook

- The Community Justice (Scotland) Bill means that community justice authorities will be disestablished from 1 April 2017. There will be a transfer of functions to Community Justice Scotland and the local community planning partnerships. This is a significant change and therefore there are risks relating to performance and the sustainability of services. The Authority has in place a Transition and Resilience Plan and a Disestablishment Plan to mitigate these risks and has provided regular updates to the Board throughout the year.

# Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of the Glasgow Community Justice Authority (the Authority).
2. The management of the Authority is responsible for:
  - preparing financial statements which give a true and fair view, in accordance with the relevant financial reporting framework
  - ensuring the regularity of transactions, by putting in place systems of internal control
  - maintaining proper accounting records
  - publishing with their financial statements a Statement on the System of Internal Financial Control and a remuneration report.
3. Our responsibility, as the external auditor, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
4. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management with the oversight of those charged with governance. This does not relieve management of their responsibility for the preparation of financial statements.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are summarised at [appendix II](#) and [appendix III](#).
6. [Appendix IV](#) is an action plan setting out our recommendations to address 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 "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that the Authority understands its risks and has arrangements in place to manage them. The Board should ensure that they are satisfied with proposed action and have a mechanism in place to assess progress and monitor outcomes.
7. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
8. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

9. 2015/16 is the final year of the current five year audit appointment. From 2016/17 the auditor of the Authority will continue to be Audit Scotland. In accordance with agreed protocols and International Standards on Auditing we will be liaising with the incoming audit team as part of this transition.

# Audit opinions

<b>Financial Statements</b>	<ul style="list-style-type: none"><li>• The financial statements of the Glasgow Community Justice Authority for 2015/16 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.</li><li>• We confirm that the financial statements have been properly prepared in accordance with the Management of Offenders etc. (Scotland) Act 2005 and directions made by Scottish Ministers.</li><li>• We have issued an unqualified audit opinion on the financial statements for the year ended 31 March 2016.</li></ul>
<b>Going Concern</b>	<ul style="list-style-type: none"><li>• The financial statements of the Glasgow Community Justice Authority have been prepared on a going concern basis. From 1 April 2017, the eight community justice authorities in Scotland will be disestablished. As the services currently provided by the Authority will be transferred to the Glasgow Community Planning Partnership and Community Justice Scotland, it is appropriate for the financial statements to be prepared on a going concern basis.</li></ul>
<b>Other Information</b>	<ul style="list-style-type: none"><li>• We review and comment on the other information included within the annual accounts and any inconsistencies identified with the financial statements. We have nothing to report on the other information included in the annual accounts.</li></ul>

## Submission of financial statements for audit

10. We received the unaudited financial statements on 15 June 2016, in accordance with the agreed timetable. The working papers were of a good standard and staff provided good support to the audit team which assisted the delivery of the audit to deadline.

## Overview of the scope of the audit of the financial statements

11. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan issued in February 2016.
12. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken any non-audit related services. The 2015/16 agreed fee for the audit was £4,370 and, as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
13. The concept of audit risk is of central importance to our audit approach. During the planning stage of our audit we identified a number of key audit risks. We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance.

14. [Appendix I](#) sets out the audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
15. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

16. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of the users of the financial statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).
17. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
18. We summarised our approach to materiality in our Annual Audit Plan. We revised our planning materiality for 2015/16 on receipt of the unaudited accounts to £185,000 (1% of the gross expenditure of £18.463 million).

19. We also set a lower level, known as performance materiality, when defining our audit procedures. This is determined to ensure that uncorrected and undetected audit differences do not exceed our materiality level. Performance materiality was set at £166,000 (i.e. 90% of materiality).
20. We report all misstatements greater than £9,000.
21. We did not identify any issues during the course of our audit which in our view require to be communicated to you.
  - Written representations requested by the auditor
  - Other matters which in the auditor's professional judgment, are significant to the oversight of the financial reporting process.
23. We did not identify any issues during the course of our audit which in our view require to be communicated to you.

## Evaluation of misstatements

21. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. The overall effect of the adjustments made to the financial statements had no impact on the net position of either the comprehensive income and expenditure statement or the balance sheet.

## Significant findings from the audit

22. International Standard on Auditing 260 (ISA 260) requires us to communicate to you significant findings from the audit as detailed below:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and disclosures
  - Significant difficulties encountered during the audit
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management



# Financial management and sustainability

## 2015/16 financial outcome

24. In 2015/16, the Authority's total expenditure was £18.463 million. This was met mainly by grant funding from the Section 27 criminal justice grant, administration grant and national grant. Having accounted for these grants and a recharge to other bodies of £0.023 million, there remained expenditure of £0.022 million which was funded by a contribution from Glasgow City Council's Social Work Services. After making adjustments for the £0.021 million difference between the accounting basis and funding basis for pension costs, the breakeven requirement was met.

## Financial management

25. As auditors we need to consider whether bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
- financial regulations are comprehensive, current and promoted within the body
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance.
26. The Authority's financial transactions are processed through Glasgow City Council's financial systems. Overall, we have concluded that the Authority's financial management arrangements are satisfactory, but there is scope for more timely budget monitoring and reporting to members. This was discussed and agreed with officers during the 2014/15 audit.

### Refer Appendix IV action plan point 1

## Financial sustainability

27. The Authority's Balance Sheet at 31 March 2016 showed a net liability position of £0.128 million. This represents the pension liability at the year end and is the difference between expected future pension payments and the underlying value of the pension fund assets available to meet these costs.
28. A material net liability position can highlight a potential going concern issue; however we recognise that the appointed actuary used by the Authority is of the view that the asset holdings and future pension contributions provide security over future liabilities. In light of this, it is reasonable that the financial statements are prepared on a going concern basis.
29. Under the Community Justice (Scotland) Bill, the Authority will cease to exist from 1 April 2017. Any pension liability as at the 31 March 2017 will be underwritten by the Scottish Government under

the terms of the disestablishment of the Community Justice Authority.

## 2016/17 budget

30. The Section 27 grant allocation for the Glasgow Community Justice Authority in 2016/17 has reduced by £0.230 million to £17.719 million, which is a 1.3% reduction from the 2015/16 grant funding.
31. A reducing funding level against the backdrop of rising service demands poses a significant risk for the Authority's financial position and places a strain on service delivery at current levels until disestablishment of the Authority on 1 April 2017. It is therefore important that the Authority's financial position is kept under close review.

# Governance and transparency

## Corporate governance

32. The corporate governance framework within the Authority is centred on the Glasgow Community Justice Authority's Board (the Board). The Board meet every quarter and meetings are supported by detailed and comprehensive reports from officers. The Authority has adopted the same Standing Orders and Financial Regulations as Glasgow City Council and has its own Scheme of Delegation in respect of the Authority's Chief Officer.
33. As a result of the Community Justice (Scotland) Bill, which was given royal assent in March 2016, a new body, Community Justice Scotland will be established and the eight community justice authorities in Scotland disestablished. The Glasgow Community Justice Authority will cease to exist from 1 April 2017. It is vital that business continues as normal and the Authority continues to maintain service provision throughout the transition period.
34. The Accountable Officer is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the Authority and for monitoring the adequacy of these arrangements.

35. We concluded that the Authority has effective overarching and supporting governance arrangements which provide an appropriate framework for organisational decision making.

## Transparency

36. Transparency means the availability to the public of understandable, relevant and timely information about how decisions are made and how best use is made of resources. The Authority demonstrates transparency by:
- holding meetings of the Board in public
  - ensuring agendas and minutes of Board meetings are available for review on its website
  - making information on its performance available to the public.
37. As the members of the Authority's Board are elected members of Glasgow City Council, they are required to maintain a register of interests which is available on the Council's website. We have identified two instances where Board members have not disclosed their membership of the Authority's Board. There is therefore a risk that there is a lack of transparency and any conflicts of interests are not identified.

### Refer Appendix IV action plan point 2

38. We have not encountered any other evidence to suggest that information is routinely and unjustifiably withheld from public scrutiny.

## Internal control

39. It is the responsibility of the Authority's management to maintain adequate financial systems and associated internal controls. The Authority's 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 control system. This statement complies with accounting requirements and is consistent with the findings of our audit.
40. The Authority's financial transactions are processed through the main financial systems of Glasgow City Council. A review of these systems was conducted as part of the Council's audit, supplemented by specific audit work on the Authority's financial statements.
41. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 audit which could adversely affect the organisation's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

# Performance

## Best Value

42. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value.
43. An Area Plan for 2014 to 2017 was approved by the Authority's Board in March 2014 which sets out the Authority's key aims and objectives. The Authority is required under the terms of the Management of Offenders etc. (Scotland) Act 2005 to report annually on its activities and performance and to demonstrate progress against the main strategic objectives contained within the Area Plan. The Authority's Annual Report for 2015/16 was approved by the Board in September 2016.
44. The Annual Report describes the actions taken during 2015/16 to progress the Authority's five agreed priorities, which are:
  - using resources where they are most effective
  - recognising where a different approach is needed
  - identifying and building protective factors
  - acting on service user voice
  - delivering structural change without compromising on quality or progress.
45. The Annual Report contains the Glasgow Community Justice Performance Framework and Forward Action Plan which reports progress against national indicators, equalities and the agreed priorities of the Authority.
46. In order to ensure a smooth transition to the new model of Community Justice in Scotland, the Authority has reported to its Board a Transition and Resilience Plan and a Disestablishment Plan alongside regular updates.
47. The Authority has been working closely with the Glasgow Transitions Planning Group which enabled Glasgow City Council to submit a Transition Plan to the Scottish Government by the end of January 2016. The Authority focused on:
  - describing the current landscape in relation to community justice and Community Planning
  - governance and how the new Community Justice Partners will work in partnership, building on existing structures tied to Community Planning
  - current activity which is underpinning transition arrangements
  - planned activity to further progress transition arrangements.
48. A Disestablishment Plan has also been prepared which is a comprehensive checklist of relevant actions with associated timescales and an assessment of progress. The purpose of this plan is to ensure that the disestablishment proceeds in an effective and co-ordinated way so that any ongoing costs beyond 31 March 2017 are avoided.

49. In addition, in order to ensure a smooth transition, Glasgow City Council appointed a Policy Officer with responsibility for Community Justice in January 2016. The funding for this post was committed by the Scottish Government to support the transition to Community Justice Scotland and the local Community Planning Partnerships.

## Equalities

50. The Equality Act 2010 introduced a new public sector 'general duty' which encourages equality to be mainstreamed into public bodies' core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the equality outcomes it has set.
51. The Authority has published on its website its 2014/15 Equalities Report. The 2015/16 report was reported to the Board on the 13 September 2016. These reports describe the actions taken during the year to progress the agreed equality outcomes and the planned next steps.

## National performance audit reports

52. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2015/16, a number of reports were issued which may be of interest to the authority. These are outlined in [Appendix III](#).

# Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

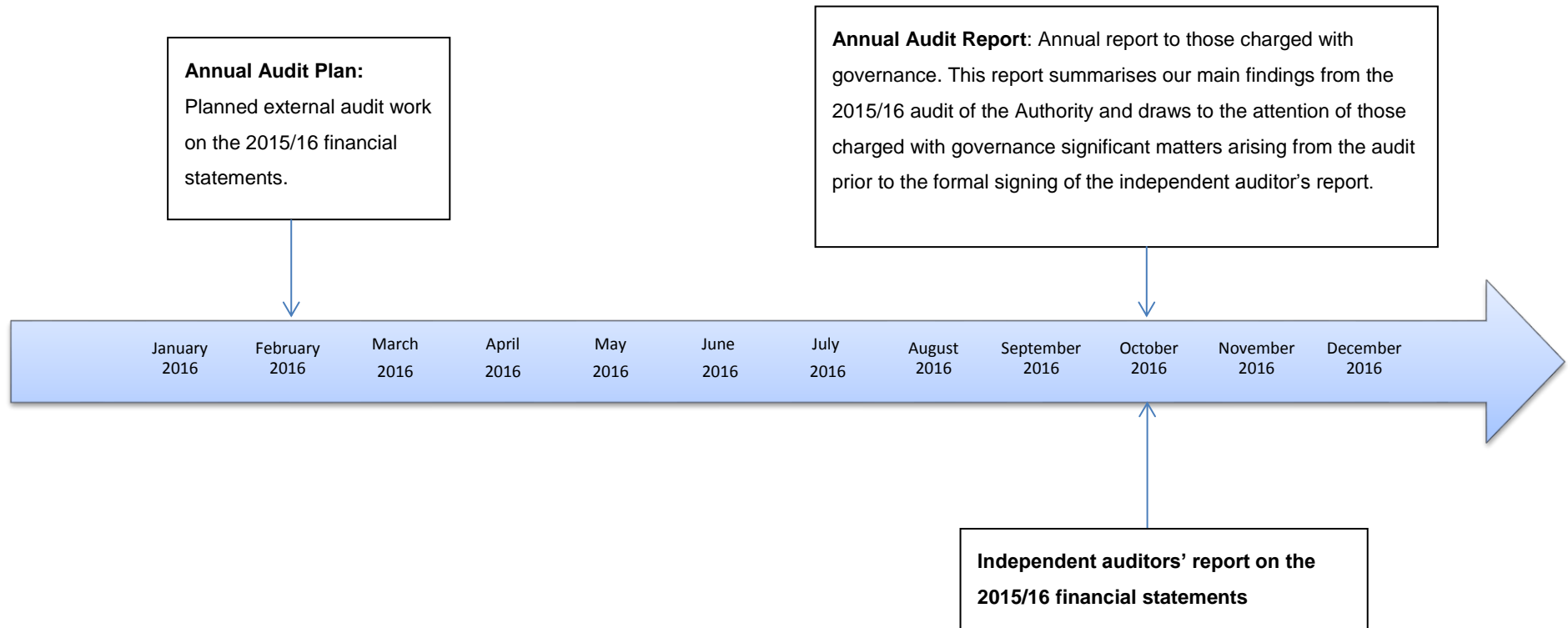
Audit Risk	Assurance procedure	Results and conclusions
<b>Financial Statement issues and risks</b>		
<p><b>Management override of controls</b></p> <p>As is the case in all entities, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We substantively tested samples of both income and expenditure transactions.</p> <p>We tested journals within the expenditure sample and reviewed the basis of any accounting estimates.</p> <p>We considered any transactions outwith the normal course of business.</p>	<p>No instances of management manipulating accounting records or overriding controls were identified.</p>

Audit Risk	Assurance procedure	Results and conclusions
<b>Wider dimension issues and risks</b>		
<p><b>Redesign of Community Justice</b></p> <p>From 1 April 2017, the services currently carried out by the Authority will be fully transferred to the Glasgow Community Planning Partnership and Community Justice Scotland. With this transfer of services, there is a risk that there may be less focus by the Authority on the achievement of objectives and ensuring the continuation of sound governance arrangements.</p>	<p>We have considered the actions taken by management in preparation of the disestablishment of the Glasgow Community Justice Authority.</p>	<p>Reports have been made to the Authority's Board throughout the year to update members on the redesign of Community Justice in Scotland.</p> <p>Officers have reported to the Board a Transition and Resilience Plan and a Disestablishment Plan with regular updates provided throughout the year.</p> <p>We will continue to review the reports received by the Board in 2016/17 - the final year of the Authority.</p>

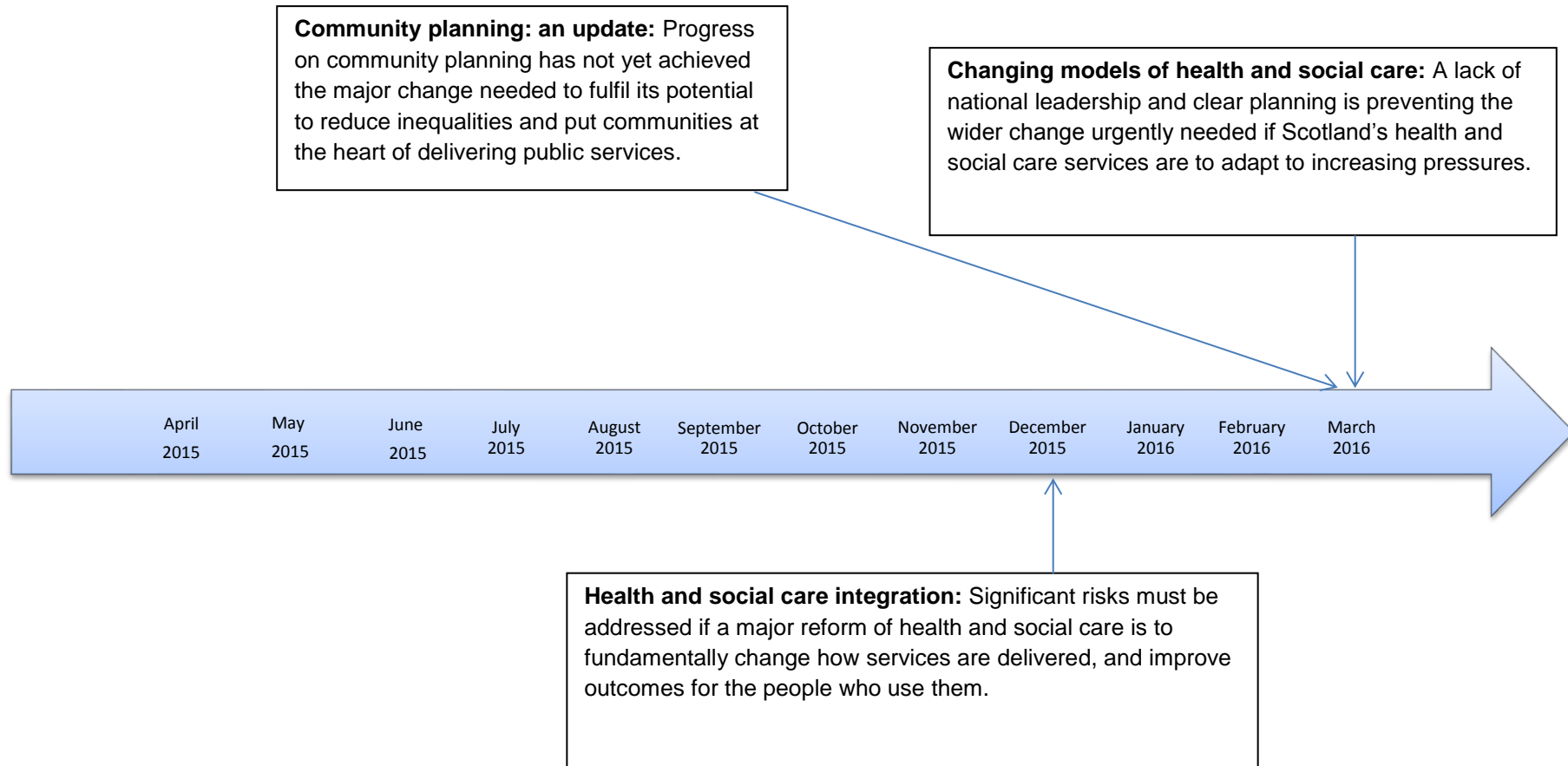
Audit Risk	Assurance procedure	Results and conclusions
<p><b>Budget Monitoring</b></p> <p>Officers do not provide budget monitoring reports to the Authority's Board on a regular basis. An absence of comprehensive financial reporting affects the ability of members to adequately scrutinise financial performance and make appropriate decisions.</p>	<p>It was agreed with officers that two interim reports will be presented to the Authority's Board during 2016/17 and a final report for the year will be presented after the financial year end.</p> <p>We reviewed the Board minutes on an ongoing basis throughout the audit.</p>	<p>As at October 2016, there have been no reports detailing spend against budget presented to the Board.</p> <p>This is due to a delay in Section 27 allocation details being provided from the Scottish Government. The 2016/17 budget proposal was presented to the June 2016 Board meeting, however it is noted that no performance against budgets reports have as yet been provided.</p> <p><b>Refer Appendix IV action plan point 1</b></p>



# Appendix II: Summary of local audit reports 2015/16



# Appendix III: Summary of Audit Scotland national reports 2015/16



## Appendix IV: Action plan

Paragraph ref.	Issue/Risk/Recommendation	Management action/response	Responsible officer/Target date
26	<p><b>Issue:</b> The first budget monitoring report on the 2015/16 budget was not reported to members until the December 2015 Board meeting, approximately nine months into the financial year.</p> <p><b>Risk:</b> Members are not made aware of budget overspends or other significant variances until well into the financial year.</p> <p><b>Recommendation:</b> Regular and timely budget monitoring reports should be presented to the Board throughout the financial year.</p>	Regular, interim reports to be presented to the Board during 2016/17.	<p>GCJA Chief Officer</p> <p>March 2016 June 2016 December 2016 February 2017</p>

Paragraph ref.	Issue/Risk/Recommendation	Management action/response	Responsible officer/Target date
37	<p><b>Issue:</b></p> <p>As the members of the Authority's Board are elected members of Glasgow City Council, they are required to maintain a register of interests which is available on the Council's website. There are two members of the Authority's Board who have not declared their involvement in the Authority in their registers of interest.</p> <p><b>Risk:</b></p> <p>There is a risk that there is a lack of transparency and any conflicts of interest are not identified.</p> <p><b>Recommendation:</b></p> <p>Board members should be reminded of the importance of ensuring their registers of interests are complete and up to date.</p>	<p>Board Members (in particular new members) to be reminded to update their register of interests (as held on Glasgow City Council website).</p>	<p>GCJA Chief Officer</p> <p>October 2016</p>