



# **Auditor certification of 2016/17 criminal justice social work services financial returns**

## **Technical guidance note TGN/CJS/17**

 **AUDIT SCOTLAND**

Prepared by Audit Strategy  
20 April 2017

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.

---

# Contents

<b>Foreword</b> .....	<b>5</b>
<b>Overview</b> .....	<b>6</b>
<b>1 Introduction</b> .....	<b>7</b>
Auditor certification requirement .....	7
Purpose of technical guidance note.....	7
Changes from 2015/16.....	7
Nature of scheme .....	7
Funding arrangements .....	8
Criminal justice social work services .....	9
Submission of return to auditor.....	9
Contact point .....	10
<b>2 Preliminary procedures</b> .....	<b>11</b>
Purpose of section.....	11
Preliminary procedure 1 - Completion of return .....	11
<b>3 Testing procedures</b> .....	<b>12</b>
Purpose of section.....	12
Test 1 - Staff costs .....	12
Test 2 - Other costs.....	12
Test 3 - Capital.....	13
Test 4 - Overheads.....	13
<b>4 Completion procedures</b> .....	<b>15</b>
Purpose of section.....	15
Completion procedure 1 - Conclusion on return .....	15
Completion procedure 2 - Auditor's certificate and covering letter .....	15
Completion procedure 3 - Submission of certified return .....	16
<b>Appendix 1</b> .....	<b>17</b>
Auditor action checklist.....	17
<b>Appendix 2</b> .....	<b>20</b>
Rules for completing claim .....	20
<b>Appendix 3</b> .....	<b>21</b>

---

External auditor's certificate.....	21
<b>Appendix 4 .....</b>	<b>22</b>
Community justice authorities.....	22

# Foreword

Technical guidance notes are prepared by Audit Scotland's Audit Strategy business group to provide external auditors appointed by the Accounts Commission and Auditor General for Scotland with guidance on particular subjects or themes relevant to their audit appointment. They cover auditors' responsibilities to audit the financial statements, and review returns for whole of government accounts and local authority grant claims.

Technical guidance notes are available to external auditors from Audit Scotland's *Technical reference library*, and are also published on the Audit Scotland website so that audited bodies and other stakeholders can access them.

This particular type of technical guidance note is published under authority delegated by the Assistant Auditor General to provide guidance on the review of approved grant claims and other financial returns that require to be certified as part of a local authority audit appointment.

While auditors act independently, and are responsible for their own conclusions and opinions, Audit Strategy has a role in ensuring that those conclusions and opinions are reached on the basis of informed judgement. Consistency in similar circumstances is important and **the Code of audit practice therefore requires grant claims to be certified in accordance with technical guidance notes provided by Audit Strategy**. Auditors should advise Audit Strategy promptly if they intend not to follow any guidance provided in this technical guidance note.

Audit Scotland makes no representation as to the completeness or accuracy of the contents of technical guidance notes or that legal or technical guidance is correct. Points of law, in particular, can ultimately be decided only by the Courts. Audit Scotland accepts no responsibility for any loss or damage caused as a result of any person relying upon anything contained in this note.

# Overview

Key points on this return		
<b>Description of scheme</b>		
A scheme to fund local authority expenditure on the provision, management and administration of criminal justice social work services.		
Return reference	Deadline to auditors	Auditor submission deadline
N/A	30 June 2017	30 September 2017
<b>Risk areas</b>		
1	Staff costs reflect time spent on social work services.	
2	Other costs include ineligible items.	
3	Capital expenditure has not been identified separately or has been included incorrectly.	
4	Overheads exceed 8% of the authority's allocation.	
<b>Address for certified return</b>		
The director of finance for the lead local authority for the relevant community justice authority		
Publication date and relevant year	TSU contact point	
20 April 2017 for 2016/17 returns	Tim Bridle Tel 0131 625 1793 E-mail: <a href="mailto:tbridle@audit-scotland.gov.uk">tbridle@audit-scotland.gov.uk</a>	

# 1 Introduction

## Auditor certification requirement

1. External auditors are required by the [Code of audit practice](#) to review approved grant claims and other financial returns submitted to grant-paying bodies by local authorities to conclude whether they are fairly stated and in accordance with specified term and conditions.
2. Auditors are required to express their conclusion in a certificate attached to each return. The review and reporting process performed by auditors is therefore described as certification of each return.
3. One of the approved returns that auditors are required to certify is in respect of the criminal justice social work services.

## Purpose of technical guidance note

4. This technical guidance note has been prepared by Audit Strategy to provide guidance on auditor certification of the 2016/17 returns. The approach set out in this technical guidance note has been agreed with the Scottish Government.
5. Procedures that auditors should carry out in respect of certifying 2016/17 criminal justice social work services returns are set out at section 2 (preliminary procedures), 3 (testing procedures) and 4 (completion procedures) of this technical guidance note and summarised in Appendix 1. Although this note provides a concise summary of the scheme, it may still be necessary for auditors to refer to the source material listed at Appendix 2 on which this note is based.
6. Auditors should also refer to the general guidance on the certification of claims provided by technical guidance note TGN/GEN/17.

## Changes from 2015/16

7. Owing to the disestablishment of community justice authorities (CJAs) on 31 March 2017, the 2016/17 certified returns should be sent to the director of finance (or equivalent) of the lead local authority responsible for the accounts of the relevant disestablished CJA.

## Nature of scheme

8. The delivery of social work services in the criminal justice system under section 27 of the *Social Work (Scotland) Act 1968* is the responsibility of the eight community justice authorities (CJAs) established under the *Management of Offenders etc (Scotland) Act 2005*. CJAs are required to prepare an area plan for reducing re-offending and monitor the performance of their constituent local authorities (see Appendix 4) in delivering the plan. It is the constituent authorities, rather than the CJAs, that incur expenditure on the provision, management and administration of criminal justice social work services.

9. Funding for section 27 expenditure is provided by Scottish Ministers and allocated to constituent authorities by CJAs. Constituent authorities are required to submit a financial return to their CJA detailing grant eligible expenditure incurred in the financial year to enable the CJA to produce a composite return to the Scottish Government.
10. The financial returns by constituent authorities to the CJA require to be certified by external auditors. However, the CJA composite return to the Scottish Government is not subject to separate auditor certification (although the same information will form part of the CJA statutory financial statements which are subject to audit). 2016/17 is the last year of operation of CJAs as there were disestablished on 31 March 2017.

## Funding arrangements

### Section 27 funding

11. A letter setting out section 27 grant allocations is sent by the Scottish Government to CJAs before the start of each financial year. Indicative allocation letters were sent to CJAs on 22 March 2016. Section 27 grant is paid monthly, with 2.5% being retained until the auditor certified financial return is submitted. Final funding allocations broken down by service area are shown on the final year end returns sent to CJAs in March 2017.
12. Allocations are not broken down to a local authority level as chief officers of the CJAs are responsible for allocating the grant across the constituent authorities in a way which reflects the objectives of the area plan. It is for each CJA to determine how the resources allocated to it are distributed to meet area priorities. Service level agreements are in place between the CJAs and their constituent authorities.
13. There is no distinction at the point of allocation between 'core' funding (for mainstream services available on a Scotland-wide basis) and 'non-core' funding (for services not provided in all CJA areas, e.g. pilots and initiatives). However, the financial return still identifies services and initiatives as core and non-core. CJAs are not required to seek approval for virement between allocations. They are free to allocate funds (except for the women's community justice allocation and other targeted funding separately identified by the Scottish Government) across their CJA area in accordance with their area plan, in the way they see as most appropriate to fulfil their statutory obligations and to reduce reoffending.
14. In some cases grant may be paid by the Scottish Government directly to constituent authorities.

### Additional funding

15. In some instances, by agreement, the Scottish Government pay additional amounts to CJAs or constituent authorities to cover costs that are outwith the original allocations. This arrangement is known as 'invoicing' as councils invoice amounts on the basis of costs incurred. These costs should be shown separately on the financial returns.



## Criminal justice social work services

16. Mainstream section 27 services, where availability occurs on a national basis (i.e. core services), include
  - community payback orders (CPO) – Scotland’s main community penalty which replaced community service orders, probation orders and supervised attendance orders for offences committed on and after 1 February 2011. There are nine requirements which a court can impose as part of the CPO, with the most frequently imposed requirement being unpaid work
  - criminal justice social work/home circumstance reports – preparing such reports to assist decision-making by the courts and parole board
  - throughcare – giving guidance and advice to assist prisoners, and their families, prepare for release and to supervise offenders released from custody on parole or licence
  - home detention curfews - allows certain short term prisoners assessed as having a low risk of re-offending to be released on licence up to six months early
  - diversion from prosecution – in certain circumstances accused persons are diverted by the procurator fiscal to social work and other service agencies as an alternative to prosecution. They will receive treatment and support in dealing with the behaviour that underlies the offence
  - bail – supervising offenders granted bail by the courts
  - court services – providing advice and reports to the court service
  - drug treatment and testing orders - targeted at offenders with serious drug problems who might otherwise receive a custodial sentence.
17. Special initiatives or pilots (i.e. non-core services) initiated either by the Scottish Government or locally by the CJA may also be funded from section 27 grant. There are number of ongoing 'non-core' projects against which councils will have incurred costs in 2016/17 and there may be new initiatives aimed at achieving local area plan objectives.
18. Women's community justice service allocations were made again in 2016/17 and are shown on the financial return separately from core and non-core services, as are allocations for other targeted funding.

## Submission of return to auditor

19. As stated at paragraph 10, constituent authorities are required to prepare an annual financial return for submission to the CJA. The return should be certified by the director of finance to the effect that the amounts shown have been spent on eligible services in the financial year.
20. Once completed, the return requires to be passed directly to the external auditor as soon as possible after the end of the financial year and by 30 June at the latest.

## Contact point

21. The contact point in Audit Strategy for this technical guidance is Tim Bridle, Manager - Local Government ([tbridle@audit-scotland.gov.uk](mailto:tbridle@audit-scotland.gov.uk) or 0131 625 1793).

# 2 Preliminary procedures

## Purpose of section

22. This section sets out the preliminary procedure that auditors should carry out when they receive the return.

## Preliminary procedure 1 - Completion of return

### Auditors should check that

- the authority's arrangements for the completion of the return appear adequate
- all relevant parts of the return have been completed, including certification by the director of finance
- all arithmetic on the return is correct
- the entries on the return agree with the authority's financial ledger or other underlying records.

23. A standard pro-forma annual financial return has not been provided to constituent authorities, but the Scottish Government expects them to follow the format of the final return provided for CJAs. This technical guidance note assumes that this will be the case. An example copy of the final CJA return for 2016/17 is available on the *Technical reference library*.
24. The return is a statement of actual expenditure incurred on criminal justice social work analysed over staff costs, other costs and overheads. Notional allocations may be shown against each of the service heads but auditors are not required to bring to the CJA's attention any case where expenditure exceeds the allocation or bid amounts. Authorities may incur expenditure in excess of their total allocations and should record the actual expenditure in the return. The grant paid however will be restricted to the level of the grant allocated.
25. For section 27 staff costs and other costs, the return is analysed between the various services and projects covered at paragraphs 16 to 18. The Scottish Government has advised that it expects, as far as possible, for the local authority ledger to be split into these services to facilitate preparation of the return.

# 3 Testing procedures

## Purpose of section

26. This section sets out the testing procedures that auditors should carry out on the return.

## Test 1 - Staff costs

### Auditors should obtain evidence that

- **staff costs reflect time spent by social workers and administration staff on section 27 services**
- **the apportionment of staff costs over services has been made on a reasonable basis**
- **any accrual for untaken annual leave has been excluded from the return.**

27. The main item of expenditure for all section 27 services on the claim is social work staff and administration staff costs.

28. Social work staff may be involved in working on more than one service and therefore their salary costs should be apportioned accordingly. While auditors are not expected to check in full the basis of apportionment of these costs, they should satisfy themselves that apportionments have been made on a reasonable basis.

29. Any accruals for untaken annual leave should be excluded from the return.

## Test 2 - Other costs

### Auditors should obtain evidence that

- **other costs reflect expenditure (other than staff costs and overheads) incurred in providing services**
- **depreciation is not included in other costs**
- **the apportionment of other costs over services has been made on a reasonable basis**
- **any accommodation benefits received by offenders has been offset against the accommodation costs claimed**
- **payments to independent sector providers are only for specified services.**

30. All non-staff expenditure (except overheads - see paragraph 38) incurred in providing the core and non-core services, should be shown under the other costs category.

31. Other costs may, for example, include the following items of expenditure

- travel and subsistence costs of social work staff, and the cost of offenders travelling to reporting points etc
  - the costs of a workshop in which offenders carry out community service
  - the costs of social work staff engaged in criminal justice services attending job-related training courses, seminars etc
  - the reimbursement of the fee where an offender has to obtain and pay for a medical certificate in respect of a failure to attend a programme
  - rent and other costs directly related to the running of premises (e.g. repairs and maintenance costs, energy costs and rates) but not depreciation (which is included in overheads).
32. Some of the costs may relate to more than one service and therefore require to be apportioned across services on a reasonable basis.
33. Where the offender is entitled to housing or other benefits in respect of supported accommodation, the authority should offset these benefits against the costs claimed in respect of the accommodation provided.
34. Authorities are required to consider using specialist resources from the independent sector in the provision of section 27 services.
35. A service level agreement between the independent provider and the authority should set out the nature of the service being provided, the cost of the service and the method of payment. Payments to the independent sector are eligible for grant where the organisation provides the full specified service.
36. The payment of a grant to support the organisation is not eligible expenditure.

### Test 3 - Capital

**Auditors should obtain evidence that any capital expenditure included on the return supports the provision of section 27 services.**

37. Some authorities may have received capital grant and are required to record capital expenditure incurred to support the provision of services in a specific line of the return.

### Test 4 - Overheads

**Auditors should obtain evidence that**

- **the amount in the return for overheads comprises apportionments from central service costs and depreciation relating to buildings used in the direct provision of services**

- **actual overheads are no more than 8% of the total grant allocation.**

38. Although a separate line is not provided on the 2016/17 financial return for overheads, authorities are expected to add one. It should show the actual expenditure incurred on overheads, which should comprise
- apportionments from central service costs
  - depreciation relating to buildings used in the direct provision of services.
39. Authorities receive funding equal to 8% of the total section 27 grant allocation (excluding women's community justice service) to cover overheads
- Where actual overheads are more than 8% of the allocation, payment of the grant on overheads is restricted to 8% of the allocation. Auditors should draw the CJA's attention in the covering letter to circumstances in which overheads exceed 8% of the total allocation.
  - Where actual overheads are less than 8% of the allocation, authorities may use the remainder for the provision of services.

# 4 Completion procedures

## Purpose of section

40. This section sets out the completion procedures that auditors should carry out after they have conducted testing of the return.

## Completion procedure 1 - Conclusion on return

### **Auditors should conclude whether the financial return is**

- **fairly stated**
- **in accordance with relevant terms and conditions.**

41. Auditors should
- evaluate the results of their testing procedures set out in section 3
  - undertake additional procedures where they judge that to be necessary
  - agree with the local authority any amendments necessary to correct errors found in the return. This is appropriate where auditors conclude the errors are isolated or have extrapolated findings and are satisfied that after amendment the claim or return is fairly stated and in accordance with the business model. A qualification to the auditor's conclusion in a covering letter is not required though auditors should draw attention to the amendment.

## Completion procedure 2 - Auditor's certificate and covering letter

### **42. Auditors should complete the auditor's certificate and include any qualifications to their conclusion in a covering letter.**

43. Auditors should use the auditor's certificate shown at Appendix 3 to this technical guidance note.
44. Auditors should complete the auditor's certificate and any covering letter in accordance with section 5 of TGN/GEN/17. Where in the auditor's professional judgement the return is fairly stated and in accordance with the relevant regulations, auditors should
- delete the words 'Except for the qualification in the attached covering letter dated .....';
  - sign and date the certificate.
45. Where auditor testing has been completed and, in the auditor's professional judgement, the return is not fairly stated and in accordance with the terms and conditions, auditors should
- prepare a covering letter explaining the qualification
  - enter the date of the covering letter to the certificate

- sign and date the certificate.

### Completion procedure 3 - Submission of certified return

**Auditors should submit the return, completed auditor's certificate, and any covering letter, by 30 September 2017 to the director of finance of the lead local authority responsible for the CJA accounts.**

46. Auditors should submit the financial return, completed auditor's certificate, and any covering letter, by 30 September to the director of finance (or equivalent) of the lead local authority responsible for the CJA accounts. The address for the relevant director of finance (or equivalent) should be obtained from the constituent authority.



# Appendix 1

## Auditor action checklist

Preliminary procedures		Yes/No/N/A	Initials/date	W/P ref
1	<p>Have you checked that</p> <ul style="list-style-type: none"> <li>the authority's arrangements for the completion of the return appear adequate</li> <li>all relevant parts of the return have been completed, including certification by the director of finance</li> <li>all arithmetic on the return is correct</li> <li>the entries on the return agree to the authority's financial ledger or other underlying records?</li> </ul>			

Testing procedures		Yes/No/N/A	Initials/date	W/P ref
1	<p>Have you obtained evidence that</p> <ul style="list-style-type: none"> <li>staff costs reflect time spent by social workers and administration staff on all section 27 services?</li> <li>the apportionment of staff costs over services has been made on a reasonable basis?</li> <li>accruals for untaken annual leave have been excluded from the claim?</li> </ul>			

Testing procedures	Yes/No/N/A	Initials/date	W/P ref
2 Have you obtained evidence that <ul style="list-style-type: none"> <li>• other costs reflect expenditure (other than staff costs and overheads) incurred in providing services?</li> <li>• depreciation is not included in other costs?</li> <li>• the apportionment of other costs over services has been made on a reasonable basis?</li> <li>• any accommodation benefits received by offenders has been offset against the accommodation costs claimed?</li> <li>• payments to independent sector providers are only for specified services?</li> </ul>			
3 Have you obtained evidence that any capital expenditure included on the return supports the provision of section 27 services?			
4 Have you obtained evidence that <ul style="list-style-type: none"> <li>• the amount in the return for overheads comprises apportionments from central service costs and depreciation relating to buildings used in the direct provision of services?</li> <li>• actual overheads are no more than 8% of the section 27 grant allocation (excluding women's justice services)?</li> </ul>			

Completion procedures	Yes/No/N/A	Initials/date	W/P ref
1 Have you concluded whether the return is <ul style="list-style-type: none"> <li>• fairly stated</li> <li>• in accordance with the relevant terms and conditions?</li> </ul>			
2 Have you completed the auditor's certificate and included any qualifications to your conclusion in a covering letter?			

Completion procedures	Yes/No/N/A	Initials/date	W/P ref
3 Have you submitted the return, completed auditor's certificate, and any covering letter, by 30 September 2017, to the director of finance of the lead local authority responsible for the CJA accounts?			

# Appendix 2

## Rules for completing claim

The following represents a key source of guidance in respect of the grant claim and can be downloaded from Audit Scotland's *Technical reference library*.

The indicative grant allocation letter issued on 22 March 2016 by the Scottish Government to CJAs.

# Appendix 3

## External auditor's certificate

I/we have examined the entries in this criminal justice social work services financial return for 2016/17 and the related accounts and records of [insert name of council] in accordance with *Technical guidance note TGN/GEN/17* and *Technical guidance note TGN/CJS/17*, and have obtained such evidence and explanations, and carried out such tests, as I/we have considered necessary.

Except for the qualification(s) set out in my/our letter dated....., I have concluded that the claim is

- fairly stated
- in accordance with the relevant terms and conditions.

Signed..... (Appointed external auditor)

Date.....

# Appendix 4

## Community justice authorities

Name	Constituent local authorities
Glasgow	City of Glasgow Council
Fife and Forth Valley	Clackmannanshire, Falkirk, Fife and Stirling councils
North Strathclyde	Argyll and Bute, East Dunbartonshire, East Renfrewshire, Inverclyde, Renfrewshire and West Dunbartonshire councils
Lanarkshire	North Lanarkshire and South Lanarkshire councils
Tayside	Angus, Dundee City, and Perth and Kinross councils
Lothian and Borders	City of Edinburgh, East Lothian, Midlothian, West Lothian and Scottish Borders
Northern	Aberdeen City, Aberdeenshire, Eilean Siar, Highland, Moray, Orkney, and Shetland councils
South West Scotland	Dumfries and Galloway, East Ayrshire, North Ayrshire and South Ayrshire councils