

NORTH STRATHCLYDE COMMUNITY JUSTICE AUTHORITY

To: North Strathclyde Community Justice Authority

On: 16 December 2016

Report by: The Treasurer and the Chief Officer

Heading: Audited Annual Accounts 2015-16

1. Summary

- 1.1. At the meeting of the North Strathclyde Community Justice Authority on 10 June 2016 a report on the unaudited accounts for the year ended 31 March 2016 was noted.
- 1.2. The audit certificate issued by Audit Scotland provides an unqualified opinion that the annual accounts presents a true and fair view of the financial position of the Authority as at 31 March 2016, in accordance with the accounting policies detailed in the accounts.
- 1.3. A report on the 2015-16 audit by Audit Scotland is also submitted for members' information. There are no matters arising from the audit which require specific reporting to the members.

2. Recommendations

- 2.1. It is recommended that members approve the audited accounts and note the report by Audit Scotland.
- 2.2. The North Strathclyde Community Justice Authority will close on the 31 March 2017 and the financial responsibilities will transfer from the NSCJA Chief Officer to the Director of Finance and Resources with effect from 1 April 2017. It is recommended that members note this information.



Annual Financial Statements 2015/16

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Management Commentary

Introduction

The financial results for the North Strathclyde Community Justice Authority (“the CJA” or “the Authority”) for 2015/16 are set out on pages 14 to 17. Note 1 to the financial statements sets out the accounting policies adopted by the Authority to ensure that the financial statements give a true and fair view of the financial position and transactions.

History and Statutory Background

Community Justice Authorities (CJAs) are devolved public bodies set up across Scotland in April 2006 by the Management of Offenders etc (Scotland) Act 2005. The purpose of CJAs is to make communities safer by reducing re-offending and improving management of offenders.

North Strathclyde Community Justice Authority (NSCJA) brings together a range of statutory partners who provide offender services enabling them to work together effectively to tackle offending. The duties of the NSCJA are:

- Prepare an Area Plan for reducing reoffending;
- Monitor performance in working together to take the Area Plan forward;
- Promote good practise in reducing reoffending;
- Allocate funding (Section 27) to our constituent local authorities;
- Report annually on activities and performance.

The constituent local authorities within the NSCJA are Argyll and Bute, East Dunbartonshire, East Renfrewshire, Inverclyde, Renfrewshire and West Dunbartonshire.

The Area Plan

The NSCJA is required to produce an Area Plan identifying how it will deliver the National Strategy for the management of offenders at local level. The plan provides context, framework and vision for the delivery of criminal justice services within the NSCJA. The current Area Plan is the fourth produced by the NSCJA and covers the three year period from April 2014 to March 2017. A copy of current Area Plan can be found at the address below.

http://www.nscja.co.uk/publications/area_plans/

The Action Plan

An Action Plan is produced annually which details how the NSCJA will deliver the targets set in the Area Plan and a Progress Report is produced which details the progress made against the Action Plan.

The 2015-16 Action Plan consisted of 12 actions and 19 activities associated to the actions. Of the 19 activities in the Action Plan, 18 (95%) had been achieved within timescale. The 1 activity that had not been achieved within timescale was influenced by external factors out with the control of the NSCJA. A copy of the Action Plan and Progress Report can be found at the address below.

http://www.nscja.co.uk/publications/NSCJA_meetings/

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Future of the NSCJA

In December 2014 the Scottish Government published its response to its consultation “The Future Model for Community Justice in Scotland”. The main feature of the proposal is for Community Planning Partnerships (CPPs) to assume responsibility for community justice in Scotland. Therefore, the Community Justice Authorities, including North Strathclyde, will be dis-established.

NSCJA is actively involved in the transfer. The Chief Officer chairs the CJA finance officers group which is planning for the final year of CJAs. NSCJA has been part of the CJA Disestablishment Group and CPP Transitions group which have been put in place to ensure that knowledge is transferred as well as to support practical arrangements. NSCJA officers are currently setting up meetings with IT, Finance and Corporate Services departments in Renfrewshire Council to ensure a smooth closure of NSCJA.

The Community Justice (Scotland) Bill was passed by Scottish Parliament on 11 February 2016. The timescales currently identified mean that CPPs will be able to take their responsibilities under the new model in transition from 1 April 2016, with full responsibility being conferred from 1 April 2017. The Community Justice Authorities will be formally dis-established on 31 March 2017 as the full model comes into effect on 1 April 2017.

Financial Performance

Revenue

The Comprehensive Income and Expenditure Statement on page 15 summarises the total costs of providing services and the income available to fund those services. The NSCJA receives two main streams of funding from the Scottish Government:

- An Administration Grant totalling £239,835 was received in 2015/16, (£215,594 2014/15).
- The section 27 Social Work (Scotland) Act 1968 funding that was previously paid to local authority criminal justice partnerships. The CJA is now responsible for disbursing this grant to the six constituent authorities within its boundaries.
- Additional income of £189,623 was received from the Scottish Government in 2015/16 with respect to Intensive Support Package, Development of Bail Supervision and Diversion Services (SACRO) and Women’s Justice Services funding.

The Comprehensive Income and Expenditure Statement shows an in year deficit of £32,000, including an accounting adjustment for pensions. Excluding this accounting adjustment, the in-year position is break even. The difference between the employee costs figure below and the figure reported in the Comprehensive Income and Expenditure report is due to the accounting adjustment for pension costs (£25,000).

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| | Budget | Actual | Variance |
|---|---------------------|---------------------|------------------|
| | £ | £ | £ |
| Employee Costs | 197,928 | 184,980 | 12,948 |
| Property Costs | 20,129 | 18,855 | 1,274 |
| Supplies and Services | 1,400 | 1,328 | 72 |
| Section 27 Payments | 10,000,494 | 10,000,798 | (304) |
| Administrative Costs | 8,756 | 9,414 | (658) |
| Payments to Other Bodies | 26,700 | 134,339 | (107,639) |
| Other Payments to Authorities | - | 82,060 | (82,060) |
| Total Expenditure | 10,255,407 | 10,431,774 | (176,367) |
| Section 27 Income | (10,000,494) | (10,000,798) | 304 |
| Administration Grant | (254,913) | (239,835) | (15,078) |
| Other Income from the Scottish Government | - | (189,623) | 189,623 |
| Other Income | - | (803) | 803 |
| Total Income | (10,255,407) | (10,431,059) | 175,652 |
| (Surplus)/Deficit for Year | - | 715 | (715) |

Capital and Reserves

Cash balances held by the Authority are matched by creditor balances. The net deficit position on the pension reserve impacts on the net asset position of the Authority as a whole, however the funding of these future liabilities will be met from the Scottish Government. Although legislation has been passed which will dis-establish the Authority on 31 March 2017, the transfer of services does not negate the presumption of going concern and this is still valid.

Provisions, Contingencies and Write-offs

The Authority is not aware of any eventualities which may have a material effect on the financial position of the Authority, and has made no provisions for such eventualities.

In general, any contingent liabilities known to the Authority are covered by insurance arrangements.

There were no debt write-offs during the year.

Events after the Balance Sheet Date

Events from the Balance Sheet Date until the date of Signing the Accounts have been taken into consideration.

Conclusion

I would wish to take this opportunity to acknowledge the team effort required to produce the accounts and to record my thanks to both the Treasurer and his staff, and to my staff for their continued hard work and support.

James Hunter
 Chief Officer
 27 October 2016

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Statement of Responsibilities for the Annual Accounts

The CJA's Responsibilities

The CJA is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. The Director of Finance and Resources at Renfrewshire Council operates as the Treasurer of the CJA.
- to manage its affairs, to secure economic, efficient and effective use of resources and to safeguard its assets.

The Chief Officer's Responsibilities

The Chief Officer, as accountable officer, is responsible for the preparation of the CJA's Annual Accounts in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice').

In preparing this statement of accounts, the Chief Officer has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates which were reasonable and prudent and complied with the Code of Practice,
- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities, and
- signed and dated the Annual Accounts.

The statement of accounts gives a true and fair view of the financial position of the CJA at the accounting date and its income and expenditure for the year ended 31st March 2016.

James Hunter
Chief Officer and Accountable Officer
27 October 2016

Statement on the System of Internal Financial Control

This statement is given in respect of the Annual Accounts for the Authority for the financial year ended 31 March 2016. The Authority acknowledges our responsibility to ensure that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Authority.

In particular the system includes:

- a code of conduct for financial management;
- comprehensive budgeting systems, and detailed guidance for budget holders;
- regular reviews of periodic and annual financial reports that indicate actual financial performance against the forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital expenditure guidelines;
- as appropriate, formal project management disciplines.

With Renfrewshire Council being the lead authority, all financial transactions of the service are processed through the financial systems of the council, and are subject to the same controls and scrutiny as those of Renfrewshire Council. This includes regular reviews by the Chief Auditor of Renfrewshire Council.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Treasurer has responsibility for internal audit in the Authority. The Director of Finance and Resources of Renfrewshire Council acts as Treasurer for the Authority, and the function of Internal Audit is undertaken by the Internal Audit Section of Renfrewshire Council. The Chief Auditor is responsible for the day-to-day management of the internal audit service and reports directly to the Director of Finance and Corporate Services. In accordance with the principles of corporate governance, reports on internal audit performance and findings are made to the Authority.

As detailed in the *Terms of Reference for Internal Audit* approved by Renfrewshire Council, the Chief Auditor has independent responsibility for the conduct, format and reporting of all internal audit activity and findings. The service operates in accordance with CIPFA's *Code of Practice for Internal Audit in Local Government in the United Kingdom* and therefore the Chief Auditor prepares an annual report containing a view on the adequacy and effectiveness of the system of internal control.

Our review of the effectiveness of the system of internal financial control is informed by:

- the work of managers within the Authority,
- the work of the internal auditors as described above and
- the external auditors in their annual audit letter and other reports.

The Authority recognises the need to exercise very close scrutiny in respect to its financial position and associated financial arrangements, and will continue to take, where appropriate, action to further strengthen control in these areas. We are satisfied that the Authority has in place a sound system of internal financial control with no identified material weaknesses.

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Statement on the Role of the Chief Financial Officer

CIPFA published this statement in 2010 and under the Code, the Authority is required to state whether it complies with the statement, and if not, to explain how their governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

- is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2015-16 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

The Authority considers that it complies with the Role of the Chief Financial Officer statement.

James Hunter
Chief Officer
27 October 2016

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Remuneration report

All information disclosed in sections two to four in this Remuneration Report will be audited by the Authority's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

1. Remuneration policy for elected members

The Management of Offenders etc. (Scotland) Act 2005 (Members' Remuneration and Supplementary Provisions) Order 2008 (SSI 2008/30) establishes a framework for the remuneration of CJA Conveners and Deputy Conveners.

Where a Convener or Deputy is not already in receipt of additional remuneration either as the convener or Deputy of a joint board, or as a senior councillor nominated by their parent authority, then a claim for remuneration can be made to the CJA. The financial burden, where it occurs, is to be met from the CJA administrative budget. The CJA will be responsible for payment of the additional allowance and not for any part of the basic grade councillor remuneration. These provisions came into force on 31 March 2008. The CJA makes no payments directly to either the Convenor or Deputy Convenor under these terms.

Article 3 of The Management of Offenders etc. (Scotland) Act 2005 (Members' Remuneration and Supplementary Provisions) Order 2008 (SSI 2008/30) enables CJA members to claim for allowances and expenses incurred in relation to CJA activities, governed by the framework set out in the Local Government Regulations 2007. This provision also came into force on 31 March 2008. The CJA received no claims from any members in financial year 2015/16.

2. Remuneration policy for senior employees

The salary of the Chief Officer is set via negotiations between the Chief Officer, on their appointment, and the Board of the Community Justice Authority. There are no nationally agreed pay scales. Details of the remuneration shown in the table below illustrates actual payments made.

| 2014/15 | | Senior Employees | | 2015/16 | | |
|---------------|--------------|------------------|---------------|-----------------------------|--|---------------|
| Total | | Name | Post Held | Salary, fees and allowances | Expenses allowance chargeable to UK income tax | Total |
| £ | | | | £ | £ | £ |
| 66,357 | | James Hunter | Chief Officer | 67,545 | - | 67,545 |
| 66,357 | Total | | | 67,545 | - | 67,545 |

| 2014/15 | | Senior Councillors | | 2015/16 | | |
|--------------|--------------|--------------------|---------------------|-----------------------------|--|--------------|
| Total | | Name | Post Held | Salary, fees and allowances | Expenses allowance chargeable to UK income tax | Total |
| £ | | | | £ | £ | £ |
| 3,107 | | Alan Lafferty | Depute Convener (*) | 3,138 | - | 3,138 |
| 3,107 | Total | | | 3,138 | - | 3,138 |

(*) The convener, Councillor Williams, is a Senior Councillor at Renfrewshire Council and paid at a rate higher than the NSCJA convener would receive. Therefore, there is no additional charge to the Authority.

The above tables show the relevant amounts, before tax and other deductions, due to, or receivable by, each of the persons named for the year to 31 March 2016, whether or not those amounts were actually paid to, or received by, those persons within that period.

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Pension rights

Pension benefits for Authority employees are provided through the Local Government Pension Scheme (LGPS).

From 1st April 2015 benefits are based on career average pay. Pension benefits are based on the pay received for each year in the scheme increased by the increase in the cost of living, as measured by the appropriate index (or indices). The scheme's normal retirement age is linked to the state pension age for each member.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non manual employees.

| 2014/15 | Member contribution rates on earnings in the bands below | 2015/16 |
|--------------------|---|--------------------|
| Up to £20,335 | 5.5% | Up to £20,500 |
| £20,336 to £24,853 | 7.25% | £20,501 to £25,000 |
| £24,854 to £34,096 | 8.5% | £25,001 to £34,400 |
| £34,097 to £45,393 | 9.5% | £34,401 to £45,800 |
| Over £45,394 | 12% | Over £45,801 |

If a person works part-time their contribution rate will be based on their part time pay.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49th of the pensionable pay for each year of membership, adjusted in line with the cost of living. (Prior to 2015 the accrual rate guaranteed a pension based on 1/60th of final pensionable salary).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government employment, not just that relating to their current post.

| Senior Employees | | Accrued Pension benefits as at 31 March 2016 | Change in accrued pension benefits since 31 March 2015 | Pension contributions made by NSCJA during 2015-2016 | | |
|-------------------------|------------------|---|---|---|-----------------|------------|
| Name | Post Held | | | | | |
| | | Pension | Lump Sum | Pension | Lump Sum | (i) |
| | | £m | £m | £m | £m | £ |
| James Hunter | Chief Officer | 0.034 | 0.078 | +0.002 | +0.001 | 13,036 |

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| Senior Councillors | | Accrued Pension benefits as at 31 March 2016 | Change in accrued pension benefits since 31 March 2015 | | Pension contributions made by NSCJA during 2015-2016 | |
|--------------------|-----------------|---|--|----------|--|-----|
| Name | Post Held | | Pension | Lump Sum | | |
| | | | £ | £ | | |
| Alan Lafferty | Depute Convener | 2,976 | 1,486 | 204 | -52 | 606 |

(i) includes any contributions that the CJA has agreed to pay in respect of the relevant person at a later date

3. Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2015/16, in bands of £5,000.

| 2014/15 Number of employees | Renumeration Band | 2015/16 Number of employees |
|-----------------------------------|-------------------|-----------------------------------|
| - | £50,000-£54,999 | - |
| - | £55,000-£59,999 | - |
| - | £60,000-£64,999 | - |
| 1 | £65,000-£69,999 | 1 |
| - | £70,000-£74,999 | - |
| - | £75,000-£79,999 | - |
| - | £80,000-£84,999 | - |
| - | £85,000-£89,999 | - |
| - | £90,000-£94,999 | - |
| 1 | Total | 1 |

James Hunter
Chief Officer
27 October 2016

Independent Auditor's Report

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Independent auditor's report to the members of North Strathclyde Community Justice Authority, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of North Strathclyde Community Justice Authority for the year ended 31 March 2016 under the Management of Offenders etc. (Scotland) Act 2005. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure statement, Balance Sheet, Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Accountable Officer and auditor

As explained more fully in the Statement of Responsibilities for the Annual Accounts, the Chief Officer, as Accountable Officer, is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves 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. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the Annual Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- 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 2016 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 2015/16 Code; and

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- 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.

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on the System of Internal Financial Control does not comply with the 2015/16 Code.

I have nothing to report in respect of these matters.

Anne McGregor
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

October 2016

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Movement in Reserves Statement for the year ended 31 March 2016

This statement shows the movement in the year on the different reserves held by the Authority, analysed into usable reserves (that is, those reserves that can be applied to fund expenditure) and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Authority's services, more details of which are shown in the **comprehensive income and expenditure statement**.

| | Note | Usable reserves | | Unusable reserves |
|--|------|-----------------|-----------------|-------------------|
| | | Revenue Reserve | Pension Reserve | Total Reserves |
| Balance at 31 March 2014 carried forward | | - | (92,000) | (92,000) |
| <i>Movement in reserves during 2013-14</i> | | | | |
| Surplus or (deficit) on the provision of services | | (18,000) | | (18,000) |
| Other comprehensive income and expenditure | 15a | - | (115,000) | (115,000) |
| Total comprehensive income and expenditure | | (18,000) | (115,000) | (133,000) |
| Adjustments between accounting basis and funding basis under regulations | 6b | 18,000 | (18,000) | - |
| Transfer from Creditors | | 715 | | 715 |
| Net increase or (decrease) before transfers to other statutory reserves | | 715 | (133,000) | (132,285) |
| Transfers to or (from) other statutory reserves | | - | - | - |
| Transfer to creditors | 6a | (715) | - | (715) |
| Increase or (decrease) in 2014-15 | | - | (133,000) | (133,000) |
| Balance at 31 March 2015 carried forward | | - | (225,000) | (225,000) |
| <i>Movement in reserves during 2015-16</i> | | | | |
| Surplus or (deficit) on the provision of services | | (32,715) | | (32,715) |
| Other comprehensive income and expenditure | 15a | | 101,000 | 101,000 |
| Total comprehensive income and expenditure | | (32,715) | 101,000 | 68,285 |
| Adjustments between accounting basis and funding basis under regulations | 6b | 32,000 | (32,000) | - |
| Transfer from Creditors | | 715 | | 715 |
| Net increase or (decrease) before transfers to other statutory reserves | | (0) | 69,000 | 69,000 |
| Transfers to or (from) other statutory reserves | | | | - |
| Transfer to creditors | 6a | 0 | | 0 |
| Increase or (decrease) in 2015-16 | | - | 69,000 | 69,000 |
| Balance at 31 March 2016 carried forward | | - | (156,000) | (156,000) |

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Comprehensive Income and Expenditure Statement for the year ended 31 March 2016

This statement shows the accounting cost of providing services and managing the Authority during the year. It includes, on an accruals basis, all of the Authority's day-to-day expenses and related income. It also includes transactions measuring the value of non-current assets actually consumed during the year. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that local authorities need to take into account.

| 2014/15 | | 2015/16 |
|-------------------|---|-------------------|
| £ | | £ |
| 174,242 | Employee Costs | 209,980 |
| 19,554 | Property Costs | 18,855 |
| 653 | Supplies & Services | 1,328 |
| 7,841 | Administration Costs | 9,414 |
| 26,775 | Payments to Other Bodies | 134,339 |
| 10,117,963 | Section 27 Payments | 12 10,000,798 |
| 188,267 | Other Payments | 12 82,060 |
| 10,535,295 | Cost of Services | 10,456,774 |
| (10,117,963) | Grant from Scottish Government - Section 27 | 12 (10,000,798) |
| (188,267) | Other Grants from Scottish Government | 12 (189,623) |
| (215,594) | Administration Grant from Scottish Government | (239,835) |
| 4,529 | Financing & Investment Income and Expenditure | 8 6,197 |
| 18,000 | (Surplus) or deficit on the provision of services | 32,715 |
| 115,000 | Actuarial (Gains) or losses on pension assets and liabilities | 15a (101,000) |
| 115,000 | Other Comprehensive Income & Expenditure | (101,000) |
| 133,000 | Total Comprehensive Income & Expenditure | (68,285) |

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Balance Sheet as at 31 March 2016

The **balance sheet** shows the value as at 31 March 2016 of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held.

| 31st March 2015 | | 31st March 2016 |
|--|---|------------------------|
| £ | | £ |
| <u>Current Assets</u> | | |
| (56,657) | Funds due to Renfrewshire Council | (69,057) |
| 330,625 | Debtors and Prepayments | 10 |
| 100 | Cash and Cash Equivalents | 100 |
| <hr/> 274,068 | | <hr/> 305,314 |
| <u>less Current Liabilities</u> | | |
| (274,068) | Creditors And Accruals | 11 |
| <hr/> - | Net Assets Excluding Pension (Liability)/Asset | <hr/> - |
| <u>Long Term Liabilities</u> | | |
| (225,000) | Pension (liability)/Asset | 15c |
| <hr/> (225,000) | Net (Liabilities)/Asset Including Pension | <hr/> (156,000) |
| <u>Represented by:</u> | | |
| Usable Reserves - revenue | | |
| 715 | Balance due to Scottish Government | - |
| (715) | Transfer to Creditors | - |
| Unusable Reserves | | |
| (225,000) | Pension Reserve | 6b |
| <hr/> (225,000) | | <hr/> (156,000) |

The unaudited accounts were issued on 10 June 2016 and the audited accounts were authorised for issue on 27 October 2016. Balance Sheet signed by:

James Hunter
Chief Officer
27 October 2016

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Cash flow Statement for the year ended 31 March 2016

This statement shows the changes in cash and cash equivalents during the year. It shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of grants from the Scottish Government. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Authority's future service delivery.

| 2014/15 | | 2015/16 |
|-----------------------------|--|---------------------|
| | £ | £ |
| Operating Activities | | |
| Cash Inflows | | |
| (10,516,474) | Sale of goods and rendering of services | (10,385,868) |
| (471) | Interest received | (803) |
| (10,516,945) | Cash inflows generated from operating activities | (10,386,671) |
| Cash Outflows | | |
| 141,343 | Cash paid to and on behalf of employees | 154,248 |
| 10,364,690 | Cash paid to suppliers of goods and services | 10,220,733 |
| 20,091 | Other payments for operating activates | 24,090 |
| 10,526,124 | Cash outflows generated from operating activities | 10,399,071 |
| 9,179 | Net (increase)/decrease in cash and cash equivalents | 12,400 |
| (47,378) | Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council | (56,557) |
| (56,557) | Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council | (68,957) |
| 9,179 | Net cash outflow/(inflow) in cash and cash equivalents in year | 12,400 |

Note 1 Summary of Significant Accounting Policies

The Financial Statements for the year ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Management Statement / Financial Memorandum, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). The Financial Statements have also been prepared in accordance with the Management of Offenders (Scotland) Act 2005. They are designed to give a true and fair view of the financial performance and position of the Authority and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

Accruals basis - the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received

Understandability – users of the financial statements are assumed to have a reasonable knowledge of accounting and local government

Relevance – the information in the financial statements is useful for assessing Authority's stewardship of public funds and for making economic decisions

Materiality - information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information

Reliability – information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared.

Primacy of legislative requirements - legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code.

The accounts have been prepared under the historic cost convention. The following accounting policies used in the preparation of the statements have been reviewed in line with changes made to the Accounting Code following the introduction of International Financial Reporting Standards.

Accruals of Expenditure and Income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- i. Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Authority.
- ii. Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- iii. Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- iv. Suppliers invoices paid in the two weeks following the year-end are accrued together with specific accruals in respect of further material items provided the goods or services were received in 2015/16.

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Cash and Cash Equivalents

Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts where they are deemed material.

Employee Benefits

Benefits payable during employment

All salaries and wages earned up to 31 March 2016 are included in the Accounts irrespective of when payment was made, where material to the accounts. An accrual is made for the cost of holiday and flexi-leave entitlements earned by employees but not taken before the year end; and which employees may carry forward into the next financial year.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary severance. They are charged on an accruals basis to the Employee Costs line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary severance. The Authority is only demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal; and agreement to the termination has been granted by the Authority.

Where termination benefits involve the enhancement of pensions, statutory provisions require the Revenue balances to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

Post employment benefits

The Authority participates in the Local Government Pension Scheme which is administered by Strathclyde Pension Fund. The Local Government Pension Scheme is accounted for as a defined benefit scheme, and in accordance with International Accounting Standard 19 (IAS19) the Authority has disclosed certain information concerning the assets, liabilities, income and expenditure relating to the pension scheme. IAS 19 requires that an organisation must account for retirement benefits when it is committed to giving them, even if the giving will be many years into the future.

This involves the recognition in the Balance Sheet of the Authority's share of the net pension asset or liability in Strathclyde Pension Fund and a pension reserve. The Comprehensive Income and Expenditure Statement also recognises changes during the year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year.

The liabilities of the Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projections of earnings for current employees. Liabilities are discounted to their value at current prices using a discount rate based on the current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

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The assets of the Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, and estimated fair value for unquoted securities.

Note 15 to the Core Financial Statements provides further information.

Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statements are authorised for issue. There are two types of events:

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statements.

Where there has been a change in accounting policy, that change will be applied retrospectively, that is, prior period figures will be restated unless the Code specifies transitional provisions that shall be followed. Where there has been a change in accounting estimate, that change will be applied prospectively, that is, prior period figures will not be restated. Where a material misstatement or omission has been discovered relating to a prior period, that misstatement or omission will be restated unless it is impracticable to do so.

Government Grants and other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Account until conditions attaching to the grant or contribution have been satisfied. Monies advanced as grants and contributions are carried in the Balance Sheet as creditors.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets. The Authority is not party to any finance leases.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg, there is a rent-free period at the commencement of the lease). The risks and rewards of ownership remain with the lessors along with the title of the property.

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Property, Plant and Equipment

North Strathclyde Community Justice Authority is an Authority as constituted under the Management of Offenders etc (Scotland) Act 2005. The Authority has no legal power to hold assets. Any cash assets held are matched by an equivalent creditor balance.

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the CJA becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

Reserves

The CJA has no power to hold revenue reserves.

VAT

Income and expenditure received and paid to constituent local authorities is made in accordance with Section 27 of the Social Work (Scotland) Act 1968 and therefore excludes any amounts related to VAT.

The administration expenses of the Community Justice Authority are not covered by the exceptions in S33 and S41 of the VAT Act 1994. These accounts therefore include VAT on these goods and services purchased

Note 2 Accounting Standards Issued not Adopted

The code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/2017 code:

- Amendment to IAS19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiatives)
- Changes to the format of the Comprehensive Income and Expenditure Statement

The code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/2016 financial statements.

Note 3 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Where a critical judgement has been made this is referred to in the relevant note to the core financial statements; however a summary of those with the most significant effect is detailed below.

| | |
|--------|--|
| Leases | An analysis of the terms of the lease for the Mile End Centre office, leased by the CJA, has concluded it is an operating lease. |
|--------|--|

Note 4 Assumptions made about the future

The Statement of Accounts contains estimated figures that are based on assumptions made by the CJA about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Results differ from Assumption |
|-----------------------|---|---|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Joint Committee with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the salary increase rate assumption would result in an increase in the pension liability of £39,000. However, the assumptions interact in complex ways. During 2015/16, the appointed actuaries advised that the net pension liability had decreased by £101,000 attributable to updating of the financial assumptions. |

Note 5 Events after the balance sheet date

Events taking place after the authorised issue date per the balance sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non adjusting events.

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Note 6 Details of Movement in Reserves

a. Revenue Reserve

| 2014/15 | £ | 2015/16 | £ |
|----------------|---|----------------|----------|
| (715) | Balance as at 1 April | (715) | |
| (18,000) | Transfer to pension reserve | (32,000) | |
| 18,000 | (Surplus) or Deficit on provision of services (from the Comprehensive Income & Expenditure Account) | 32,715 | |
| (715) | Balance as at 31 March | 0 | |

b. Pension Reserve

| 2014/15 | £ | 2015/16 | £ |
|------------------|--|------------------|----------|
| (92,000) | Balance as at 1 April | (225,000) | |
| (115,000) | Actuarial Gains and Losses (see note 15) | 101,000 | |
| (18,000) | Net additional amount required by statute and non-statutory proper practices to be taken into account when determining the surplus or deficit on the revenue reserves for the year | (32,000) | |
| (225,000) | Balance as at 31 March | (156,000) | |

Note 7 Reconciliation of the Balance on the Comprehensive Income and Expenditure Statement to the Movement in Reserves Statement

The break even position for the year on the Revenue Reserves was £32,000 more than the Comprehensive Income and Expenditure Statement result. The table below gives a breakdown of the differences between the income and expenditure included in the Authority's Comprehensive Income and Expenditure Statement in accordance with the Code and the amounts that statute and non-statutory proper practice require the Authority to debit and credit the Revenue Reserve Balance.

| 2014/15 | £ | 2015/16 | £ |
|--|----------|-----------------|----------|
| Amounts to be included in the Comprehensive Income and Expenditure Statement but required by statute to be excluded when determining the Movement in Reserves Statement | | | |
| (38,000) | | (52,000) | |
| (38,000) | | (52,000) | |
| Amounts not included in the Comprehensive Income and Expenditure Statement but required to be included by statute when determining the Movement in Reserves Statement | | | |
| 20,000 | | 20,000 | |
| (18,000) | | (32,000) | |

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Note 8 Financing & Investment Income

| 2014/15 | 2015/16 |
|--|--------------|
| £ | £ |
| (471) | (803) |
| 5,000 | 7,000 |
| 4,529 | 6,197 |
| Total Financing and Investment Income | |

Note 9 Operating Leases

The Authority has acquired office accommodation at the Mile End Centre in Paisley by entering into an operating lease until March 2017. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £15,876 (2014/15 £15,655).

| 2014/15 | £ | 2015/16 | £ |
|---------------|---|---|---------------|
| | | Future Minimum Lease Payments | |
| 11,907 | | - not later than one year | 12,000 |
| - | | - later than one year and not later than five years | - |
| - | | - later than five years | - |
| 11,907 | | Total | 12,000 |

Note 10 Debtors

| 31st March 2015 | 31st March 2016 |
|--|--|
| £ | £ |
| 327,644 | 372,032 |
| 2,980 | 2,239 |
| <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| 330,624 | 374,271 |
| <hr style="border-top: 1px solid black;"/> | <hr style="border-top: 1px solid black;"/> |
| Total short term debtors | |

Note 11 Creditors

| 31st March 2015 | £ | 31st March 2016 | £ |
|--------------------|----------------------------------|-----------------------------------|----------------|
| 715 | Scottish Government | | - |
| 257,659 | Other local authorities | | 286,009 |
| 3,311 | Short Term Accumulating Absences | | 5,038 |
| 8,450 | Accrued Payrolls | | 9,944 |
| 3,933 | Other entities and individuals | | 4,323 |
| 274,068 | | Total short term creditors | 305,314 |

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Note 12 Related parties and Consolidated Return of Local Authorities' Expenditure

The Authority's related parties are those bodies or individuals that have the potential to control or significantly influence the Authority, or to be controlled or significantly influenced by the Authority. The Authority is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties. Disclosure of this information allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

The Authority pays Renfrewshire Council for support services. The amount paid in respect of these services for the year ended 31 March 2016 was £22,400 (2014/15 £22,400).

The CJA is required to show in its Annual Financial Statements, the consolidated return of expenditure on criminal justice social work services by the CJA's constituent local authorities. The local authorities that make up the CJA are:

- Renfrewshire Council
- East Renfrewshire Council
- Inverclyde Council
- West Dunbartonshire Council
- East Dunbartonshire Council
- Argyll and Bute Council

The information in the table below reflects section 27 expenditure incurred by councils, whether it is funded by grants administered through the community justice authority or from other funds.

NORTH STRATHCLYDE COMMUNITY JUSTICE AUTHORITY 2015/16

| SERVICE | 2015-16 ALLOCATION | VIREMENTS | REVISED ALLOCATION | STAFFING COSTS | OTHER COSTS | OVERHEADS | SPEND AS AT 31ST MARCH 2016 | VARIANCE |
|---|--------------------|-------------------|--------------------|-------------------|-------------------|-----------------|-----------------------------|-------------------|
| CORE | | | | | | | | |
| Community Payback Order | £3,360,751 | £150,000 | £3,510,751 | £3,084,404 | £723,602 | £174,744 | £3,982,750 | (£471,999) |
| Criminal Justice Social Work Report | £1,370,627 | £8,000 | £1,378,627 | £1,241,715 | £175,093 | £78,518 | £1,495,326 | (£116,699) |
| Throughcare | £969,678 | (£75,497) | £894,181 | £557,980 | £106,677 | £53,187 | £717,843 | £176,338 |
| Home Detention Curfew | £34,346 | (£3,000) | £31,346 | £9,895 | £1,611 | £270 | £11,776 | £19,570 |
| Diversion | £119,595 | £7,000 | £126,595 | £67,394 | £20,991 | £6,873 | £95,258 | £31,338 |
| Bail | £162,328 | £32,000 | £194,328 | £124,106 | £27,470 | £12,650 | £164,226 | £30,102 |
| Court Services | £336,449 | £90,000 | £426,449 | £364,004 | £44,906 | £16,819 | £425,729 | £720 |
| DTTO | £627,228 | (£25,000) | £602,228 | £265,565 | £239,484 | £19,685 | £524,734 | £77,494 |
| Total Core Services | £6,981,002 | £183,503 | £7,164,505 | £5,715,063 | £1,339,833 | £362,746 | £7,417,641 | (£253,136) |
| NON CORE | | | | | | | | |
| Centrally Initiated Funding | | | | | | | | |
| Arrest Referral | £49,200 | £0 | £49,200 | £31,685 | £3,821 | £2,755 | £38,261 | £10,939 |
| Constructs | £588,858 | (£38,000) | £550,858 | £340,171 | £162,108 | £28,932 | £531,210 | £19,648 |
| CSOGP | £246,797 | £0 | £246,797 | £248,467 | £41,157 | £19,744 | £309,368 | (£62,571) |
| Delivery of the National Training Programme | £60,000 | £0 | £60,000 | £38,454 | £20,685 | £0 | £59,139 | £861 |
| Fiscal Work Order Pilots | £62,500 | (£7,500) | £55,000 | £35,288 | £1,000 | £1,704 | £37,992 | £17,008 |
| MAPPA | £134,227 | £0 | £134,227 | £122,210 | £4,900 | £7,690 | £134,800 | (£573) |
| Turnaround Project | £1,100,000 | £0 | £1,100,000 | £0 | £1,090,000 | £0 | £1,090,000 | £10,000 |
| Total Centrally Initiated Funding | £2,241,582 | (£45,500) | £2,196,082 | £816,275 | £1,323,671 | £60,825 | £2,200,770 | (£4,688) |
| Non-Centrally Initiated Funding | £778,214 | (£138,003) | £640,211 | £367,028 | £181,470 | £16,009 | £564,507 | £75,704 |
| Total Non Core | £3,019,796 | (£183,503) | £2,836,293 | £1,183,302 | £1,505,140 | £76,834 | £2,765,277 | £71,016 |
| SECTION 27 TOTAL | | | | | | | | |
| Other Funding | | | | | | | | |
| Women's Justice Service | £60,000 | £0 | £60,000 | £29,629 | £31,376 | £0 | £61,005 | (£1,005) |
| SACRO | £107,563 | £0 | £107,563 | £0 | £107,563 | £0 | £107,563 | £0 |
| Intensive Support Package | £22,060 | £0 | £22,060 | £0 | £22,060 | £0 | £22,060 | £0 |
| OVERALL TOTAL | £10,190,421 | £0 | £10,190,421 | £6,927,994 | £3,005,972 | £439,580 | £10,373,546 | (£183,125) |

The information in the table above will be audited by the individual local authorities and is not separately auditable by the NSCJA auditors.

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Note 13 External audit costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2015/16 were £4,375 (£4,375 in 2014/15). There were no fees paid to Audit Scotland in respect of any other services.

Note 14 Termination benefits

The Authority did not terminate the contract of any employee during 2015/16.

Note 15 Retirement Benefits

As part of the terms and conditions of employment of its employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The scheme for employees is Strathclyde Pension Fund which is administered by Glasgow City Council. This is a "funded" defined benefit final salary scheme meaning that the Authority and its employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

15a. Transactions relating to retirement benefits

The cost of retirement benefits is recognised in Gross Expenditure when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that is statutorily required to be made in the accounts is based upon pension contributions payable by the Authority in the year, and an adjustment is made within the Movement in Reserves Statement to replace the cost of retirement benefits with employers' contributions. The following transactions have been made in the accounting statements in 2015/16:

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| 2014/15 | £ | | Note | 2015/16 | £ |
|----------------|---|---|-------|------------------|---|
| | | Comprehensive Income & Expenditure Statement | | | |
| | | Cost of Services: | | | |
| 33,000 | | Current service cost | (i) | 45,000 | |
| - | | Past service cost/(gain) | (ii) | - | |
| - | | Settlements & curtailments | (iii) | - | |
| 33,000 | | | | 45,000 | |
| | | Financing & Investment Income & Expenditure | | | |
| 5,000 | | Net Interest | (iv) | 7,000 | |
| 38,000 | | Total post employment benefit charged to the Surplus or Deficit on the Provision of Services | | 52,000 | |
| | | Other post employment benefit charged to the Comprehensive Income and Expenditure Statement | | | |
| (109,000) | | Return on assets excluding amounts included in net interest | | 6,000 | |
| | | Actuarial (gains) and losses arising on changes in financial assumptions | | | |
| 224,000 | | | | (107,000) | |
| 115,000 | | Total Actuarial (gain) and losses | | (101,000) | |
| | | Total post employment benefit charged to the Comprehensive Income and Expenditure Statement | | | |
| 153,000 | | | | (49,000) | |
| | | Movement in Reserves Statement | | | |
| (133,000) | | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code | (v) | 69,000 | |
| 20,000 | | Employers Contributions paid to Strathclyde Pension Fund | | 20,000 | |

Notes

- i. Current service cost is the cost of future entitlements to pension payments to current employees
- ii. Past service cost is the cost of discretionary pension benefits to former employees who retired on the grounds of efficiency etc or savings made for commuting part of the pension for additional cash.
- iii. Curtailments are the pension costs to employees retired under redundancy terms.
- iv. The net Interest Cost is an actuarial adjustment to the inflation element in the cost of funding current and future pension obligations. This is the expected increase during the year in the present value of the Joint Committee's share of Strathclyde Pension Fund's liabilities because they are one year closer to settlement.
- v. The Movement on Pension Reserve represents the net change in the pension liability recognised in the Movement in Reserves Statement for pension payments made by the Authority to the Strathclyde Pension Fund during the year (£32,000).

The Authority is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2015/16 these amounted to £nil (2014/15 £nil).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial gains of £0.101 million are included in the Movement in Reserves Statement (2014/15 £0.115 million loss). The cumulative amount of actuarial losses is £0.090 million (2014/15 £0.191 million).

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15b. Assets and liabilities in relation to retirement benefits

A reconciliation of the Authority's share of the **present** value of Strathclyde Pension Fund's **liabilities** is as follows

| 2014/15 | | 2015/16 |
|----------------|--|----------------|
| | £000 | £000 |
| 902 | Opening present value | 1,207 |
| 33 | Current service cost | 45 |
| 40 | Interest Cost | 39 |
| 8 | Employee Contributions | 9 |
| | Remeasurement (gains)/losses: | |
| 224 | Actuarial (gains)/losses arising from changes in financial assumptions | (107) |
| - | Benefits Paid | - |
| 1,207 | Closing Present Value Balance | 1,193 |

A reconciliation of the Authority's share of the **fair** value of Strathclyde Pension Fund's **assets** is as follows:

| 2014/15 | | 2015/16 |
|----------------|---|----------------|
| | £000 | £000 |
| 810 | Opening Fair Value | 982 |
| 35 | Interest Income | 32 |
| | Remeasurement gain/(loss): | |
| 109 | Return on assets excluding amounts included in net interest | (6) |
| 20 | Contributions from employer | 20 |
| 8 | Contributions from employee | 9 |
| - | Benefits Paid | - |
| 982 | Closing fair value of scheme assets | 1,037 |

15c. Fund history

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
|--|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Present Value of Liabilities | (646) | (796) | (902) | (1,207) | (1,193) |
| Fair value of assets | 615 | 734 | 810 | 982 | 1,037 |
| Surplus/(deficit) in the scheme | (31) | (62) | (92) | (225) | (156) |

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy.

The total liability of £0.156 million has a significant impact on the net worth of the Authority as recorded in the Balance Sheet. However, any deficit on Strathclyde Pension Fund will be made good by increased contributions over the remaining working life of employees, as assessed by the Fund actuary.

North Strathclyde Community Justice Authority
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15d. Basis for estimating assets and liabilities

The Authority's share of the liabilities of Strathclyde Pension Fund have been assessed on an actuarial basis using the projected unit method, that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. The Scheme's liabilities have been assessed by Hymans Robertson, an independent firm of Actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2014.

The principal assumptions used by the actuary have been:

| 31st March 2015 | Year Ended: | 31st March 2016 |
|---|---|----------------------------|
| Mortality assumptions | | |
| Longevity at 65 for current pensioners | | |
| 22.1 years | • Men | 22.1 years |
| 23.6 years | • Women | 23.6 years |
| Longevity at 65 for Future pensioners | | |
| 24.8 years | • Men | 24.8 years |
| 26.2 years | • Women | 26.2 years |
| | | |
| 4.3% | Rate of increase in salaries* | 4.2% |
| 2.4% | Rate of increase in pensions | 2.2% |
| 3.2% | Rate for discounting scheme liabilities | 3.5% |
| Take-up of option to convert annual pension into retirement lump sum: | | |
| 50.0% | Pre April 2009 service | 50.0% |
| 75.0% | Post April 2009 service | 75.0% |

The pension scheme's assets consist of the following categories, by proportion of the total assets held:

North Strathclyde Community Justice Authority Annual Accounts 2015/16

| 31st March 2015 £000 | 31st March 2016 £000 |
|---|----------------------------|
| | Percentage |
| Equity Securities | |
| 93 | 9.4% |
| 74 | 7.5% |
| 29 | 3.0% |
| 68 | 6.9% |
| 40 | 4.1% |
| 56 | 5.7% |
| 360 | 36.5% |
| Total Equity | 379 |
| Private Equity | |
| 96 | 9.7% |
| 96 | 9.7% |
| Total Private Equity | 101 |
| Real Estate | |
| 90 | 10.7% |
| - | 0.0% |
| 90 | 10.7% |
| Total Real Estate | 111 |
| Investment Funds & Unit Trusts | |
| 283 | 25.8% |
| 124 | 12.2% |
| 3 | 0.0% |
| 2 | 1.4% |
| 412 | 39.5% |
| Total Investment Funds & Unit Trusts | 410 |
| Derivatives | |
| - | 0.0% |
| - | 0.0% |
| - | 0.0% |
| - | 0.0% |
| - | 0.0% |
| Total Derivatives | 0.0% |
| Cash & Cash Equivalents | |
| 24 | 3.5% |
| 24 | 3.5% |
| Total Cash & Cash Equivalents | 36 |
| 982 | 100% |
| Total | 1,037 |

15e. Impact on cashflows

An objective of the fund is to keep employer's contributions at as constant a rate as possible. The fund has agreed a strategy to achieve a funding rate of 100% in the longer term. Employers' and employees' contributions have been determined so that rates are standard across all participating employers. The rate for employer contributions has been set at 19.3% for 2015-16 to 2017-18.

The total contributions expected to be made by the Authority to Strathclyde Pension Fund in the year to 31 March 2017 is £0.020 million.

Note 16 Contingent Liabilities and Assets

As at the Balance Sheet date the Authority had no material contingent assets or liabilities.

North Strathclyde Community Justice Authority

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

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Audit Scotland is a statutory body which appoints external auditors to Scottish local government bodies (www.audit-scotland.gov.uk/about/ac). Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General (www.audit-scotland.gov.uk/about/).

The Auditor General for Scotland has appointed Anne McGregor as the external auditor of North Strathclyde Community Justice Authority (NSCJA) for the period 2011/12 to 2015/16. This report has been prepared for the use of NSCJA and no responsibility to any member or officer in their individual capacity or any third party is accepted.

This report will be published on our website after it has been considered by the audit committee. The information in this report may be used by Audit Scotland in any reporting to the Scottish Parliament.

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Key messages

Audit of financial statements

- Unqualified auditor's report on the 2015/16 financial statements.
- Services currently delivered by NSCJA will transfer to community planning partnerships on 1 April 2017.
- Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

Financial management and sustainability

- NSCJA incurred an accounting deficit of £0.033m. The deficit was due to pension accounting adjustments at the year-end.
- NSCJA operated within its administration grant of £0.255m.
- The spend on community justice by authorities was £0.183m (2%) greater than the grant distributed of £10.190m. The excess is funded by the individual authorities.

Governance and transparency

- Overall satisfactory internal control arrangements except that for the past four years at least one meeting of NSCJA has been inquorate and had to be rescheduled, most recently the meeting in September 2016. The Chief Officer and Convener have reinforced with members the need to attend the remaining meetings.

Outlook

- CJs will cease to exist on March 2017 following a proposed shadow year when CPPs will take on duties.
- Under its Transition Plan, NSCJA is engaging with other CJs and the Scottish Government in planning for a smooth transfer of duties. In the meantime it is working to, and regularly reporting on, its 2016-17 action plan.
- A resilience plan is in place to ensure NSCJA can continue to discharge its full duties throughout the final year.

Introduction

1. This report is a summary of our findings arising from the 2015/16 audit of North Strathclyde Community Justice Authority (NSCJA). The report is divided into sections which reflect our public sector audit model.
2. The Chief Officer, as accountable officer, of NSCJA is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
3. Our responsibility, as the external auditor of NSCJA, 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; this does not relieve management of their responsibility for the preparation of financial statements which give a true and fair view.
5. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports, summarised at appendices II and III, include recommendations for improvements.
6. Appendix IV is an action plan setting out our recommendations to address the high level risks we have identified during the course of 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 NSCJA understands its risks and has arrangements in place to manage these risks. They 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. For 2016/17, there will be a new Audit Scotland team. In accordance with agreed protocols and International Standards on Auditing we have been liaising with the incoming auditors as part of this transition.

Audit of the 2015/16 financial statements

| | |
|--------------------------|---|
| Audit opinion | <ul style="list-style-type: none">• We have completed our audit and issued an unqualified independent auditor's report. |
| Going concern | <ul style="list-style-type: none">• The financial statements were prepared on the going concern basis. Services currently delivered by NSCJA will transfer to community planning partnerships on 1 April 2017. Under the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. |
| Other information | <ul style="list-style-type: none">• We review and report on other information published with the financial statements, including the management commentary, statement on the system of internal financial control and the remuneration report. There were minor disclosure changes made to these statements as a result of the audit. |

Submission of financial statements for audit

10. We received the unaudited financial statements on 30 June 2016, in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team.

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 provided to management 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 non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan 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 which involved the highest level of judgement and impact on the financial statements and consequently had the greatest effect on the audit strategy, resources and effort.

We set out in our Annual Audit Plan the audit work we proposed to undertake to secure appropriate levels of assurance. Appendix I sets out the significant audit risks identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

14. 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

15. 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 users of 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).

16. 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.

17. We summarised our approach to materiality in our Annual Audit Plan. Based on our knowledge and understanding of NSCJA we set our planning materiality for 2015/16 at £105,000 (1% of gross expenditure). We report all misstatements greater than £1,000.

Performance materiality was calculated at £79,000 to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.

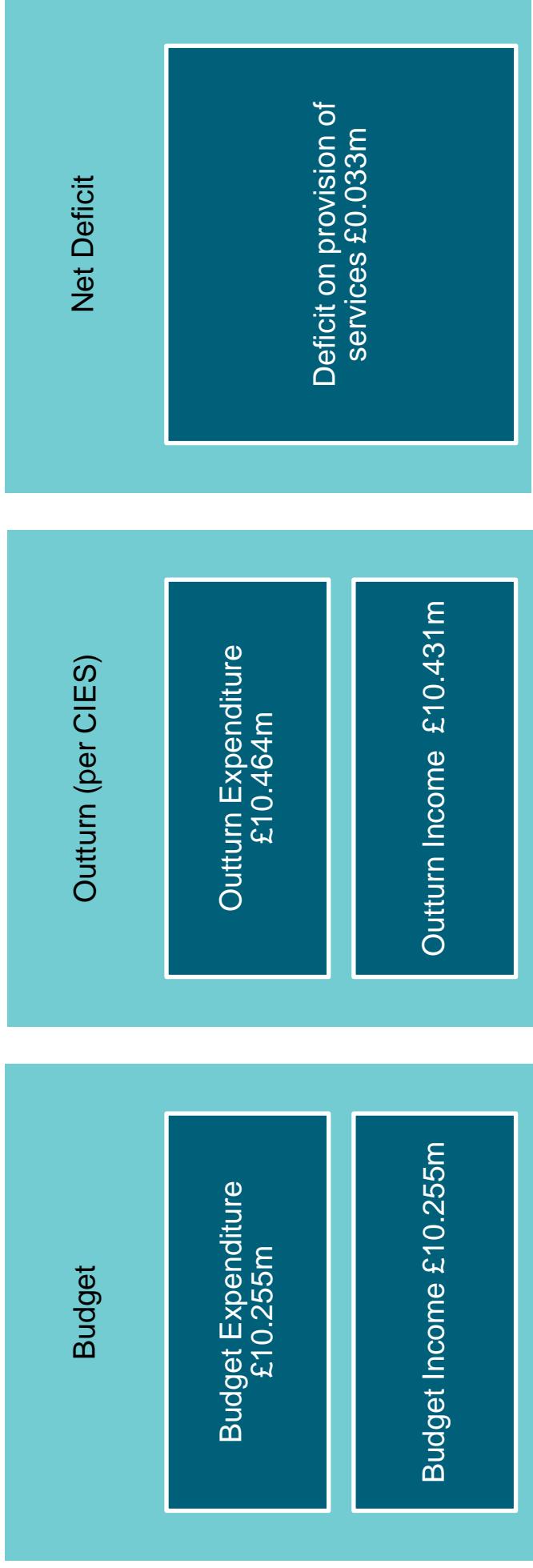
18. On receipt of the financial statements we reviewed our materiality levels. The materiality figures remained unchanged from those set during our planning work.
19. A number of presentational adjustments were identified within the financial statements during the course of our audit. These were discussed with relevant officers who agreed to amend the unaudited financial statements. There were no monetary errors impacting on the Comprehensive Income and Expenditure Statement.
20. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - Written representations requested by the auditor.

Evaluation of misstatements

18. On receipt of the financial statements we reviewed our materiality levels. The materiality figures remained unchanged from those set during our planning work.
19. 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. There were no monetary errors impacting on the Comprehensive Income and Expenditure Statement.
20. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.
 - Significant difficulties encountered during the audit.
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management.
 - 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.
- 21. There are no issues, other than those reported elsewhere in the report that require to be communicated to those charged with governance in accordance with ISA 260.

Financial management and sustainability



Financial management

22. NSCJA sets an annual budget to meet its commitments for the forthcoming financial year. Regular monitoring of expenditure and income against agreed budgets is central to effective financial management.
23. In 2015/16 NSCJA incurred an accounting deficit on the provision of services of £0.033m (2014/15 £0.018m) as shown in the Comprehensive Income and Expenditure Statement Statement (CIES). This is based on income of £10.431m less cost of services expenditure of £10.457m and pension interest cost of £0.007m. The smaller deficit position as presented in the management

commentary is different because it excludes pension adjustments and takes into consideration the payment of an outstanding credit balance (£0.001m) to the Scottish Government. As the budget is prepared and monitored against in this way, it is appropriate for the management commentary details to be presented as such.

24. In the CIES, cost of services marginally decreased by 0.7% from £10.535m (2014/15) to £10.457m (2015/16). The main movements were the decrease in the main s27 grant payments from £10.118m to £10.001m and an increase in admin grant for maternity cover.
25. As shown in note 12 to the accounts the total value of grants distributed was £10.190m. The total spend on Section 27 expenditure was £10.373m and the difference of £0.183m is funded by the constituent local authorities.

Financial management arrangements

26. As auditors, we need to consider whether audited 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 NSCJA
 - 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.

31. The net liability on the NSCJA's balance sheet has decreased from £0.225m in 2014/15 to £0.156m in 2015/16, an improvement of £0.069m. The principal reason for this decrease is the pension

27. Quarterly revenue budget monitoring reports were provided to NSCJA meetings and included a forecast outturn for the year. Overspends of approximately £0.2m were projected during the year, and the final overspend was £0.183m.

28. The service level agreement (SLA) between the NSCJA and Renfrewshire Council ended on 31 March 2016. There is currently no formal agreement in place for 2016/17. However, we have been informed by the Chief Officer of the NSCJA, that an informal agreement is in place to continue the SLA under the 2015/16 terms and conditions for 2016/17.

Appendix IV – Action Plan No. 1

Conclusion on financial management

29. We have concluded that the NSCJA's financial management arrangements are satisfactory.
30. Financial sustainability means that NSCJA has the capacity to meet its current and future plans. Due to the changes for all community justice authorities we are concerned with whether spending is being balanced with income in the period to reorganisation.

Financial sustainability

31. The net liability on the NSCJA's balance sheet has decreased from £0.225m in 2014/15 to £0.156m in 2015/16, an improvement of £0.069m. The principal reason for this decrease is the pension

liability has fallen from £1.207m to £1.193m. This movement is driven by changes in the pension actuary's assumptions, mainly the result of a reduction in pension liabilities linked to an increase in the real discount rate.

32. The pension liability represents the difference between expected future pension payments and the underlying value of pension fund assets available to meet this cost.

33. A material net liability can highlight a potential going concern issue however, we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

34. The Scottish Government has given an undertaking to meet all costs in relation to the abolition of CJAs including pension scheme deficits.

35. For the admin grant a break-even position is forecast against a budget of £0.227m.

36. The terms and conditions of severance for staff have still to be finalised but the Scottish Government has given an undertaking that it will fund all costs in relation to abolishing CJAs, including severance costs, so final decisions on costs will not impact the admin grant.

37. 2016/17 is the final year of NSCJA and it is managing its cost base within administrative grant.

Conclusion on financial sustainability

38. In March 2016, the Scottish Government confirmed to NSCJA that Section 27 funding for 2016/17 would be £9.863m; a decrease of £0.137m (1%) from the previous year. The 2016/17 Quarter 1 monitoring report shows that an overspend of £0.129m is forecast due to overspends at Argyll, Bute and Dunbartonshire. As previously noted the section 27 overspends are borne by the individual authorities.

Governance and transparency

NSCJA meetings

- 41. Over the past two years we have reported instances where some meetings had not been quorate.
- 42. For 2016 the meetings planned for March and June were held as planned but the September 2016 meeting was again inquorate. Meetings are scheduled for December 2016 and March 2017 and members should attend these meetings to ensure the smooth transition of services and support staff in the final year, including approving final severance settlement.

Appendix IV – Action Plan No. 2

Internal control

- 43. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
- 44. With Renfrewshire Council being the host for NSCJA, all financial transactions of NSCJA are processed through the financial systems of the council and are subject to the same controls and scrutiny of the council including regular reviews of internal audit.
- 39. Members and management of NSCJA are responsible for establishing arrangements to ensure that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and for monitoring the adequacy and effectiveness of these arrangements.
- 40. Citizens should be able to hold audited bodies to account about the services provided. Transparency means that citizens have access to understandable, relevant and timely information about how an audited body is taking decisions and how it is using its resources.
- 45. In the 2015/16 Internal Audit Annual Report on NSCJA, the Chief Auditor concluded that satisfactory assurances can be placed upon the system of internal control is operating in a satisfactory manner.

Internal audit

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

46. Internal audit provides management of NSCJA with independent assurance on risk management, internal control and corporate governance arrangements. We are required by international auditing standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where possible.

47. Our review of internal audit concluded that they operate in accordance with the Public Sector Internal Audit Standards and have sound documentation standards and reporting procedures in place. We reviewed the overall findings in the annual report, noting overall satisfactory assurance and reasonable assurance on governance arrangements. Internal audit noted that NSCJA governance arrangements were operating well, however there have been instances of inquorate meetings.

48. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities, although it should be noted that no system can eliminate the risk of fraud entirely. In our opinion the overall arrangements for the prevention of fraud within NSCJA are satisfactory.

49. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. We have no issues to report and note that NSCJA has in place codes of conduct for employees and members. A standing item exists on agenda of NSCJA meetings where members are asked to declare any interests.

50. When assessing transparency we consider questions such as:

- Are meetings held in public?
- Are papers and corporate documents available online and there is only limited use of taking papers in private?
- Are financial statements clearly presented and budget monitoring papers concise and clear?
- Is a register of interests available on the website?

51. Meetings of NSCJA are held in public and papers are available from the Renfrewshire Council website. The NSCJA website also publishes the NSCJA's Area Plan. We concluded that the financial statements are clear and actual expenditure and income clearly linked to budgeted figures, as described in the commentary.

Arrangements for the prevention and detection of fraud

Area Plan

52. The work of NSCJA is underpinned by the 2014-2017 Area Plan which covers the three year period from April 2014 – March 2017. NSCJA continue to work to this Area Plan against a backdrop of the current redesigning of community justice services.

Overview of performance targets 2015/16

53. Progress reports of the annual action plan are presented at each meeting of NSCJA. The final progress report for the 2015/16 action plan was presented at the March 2016 NSCJA meeting. The action plan aligns the aims and objectives stated in the 2014-17Area Plan.

54. Of the 19 activities outlined in the plan, 18 had been achieved within timescale. The one activity that was not achieved within timescale was influenced by external factors outwith the control of the NSCJA.

55. The activities have been revised, and reduced to 16 points for the final year of NSCJA.

Outlook

52. The work of NSCJA is underpinned by the 2014-2017 Area Plan which covers the three year period from April 2014 – March 2017. NSCJA continue to work to this Area Plan against a backdrop of the current redesigning of community justice services.

57. Any period of change, alongside pressures on finances, increases the risk of current staff not engaging in the transition process. The Chief Officer provides regular progress updates to members and through the CJA Conveners' Group.

58. The Chief Officer chairs the CJA finance officers group which is planning for the final year of CJAs. NSCJA has been part of the CJA Disestablishment Group and CPP Transitions group which have been put in place to ensure that knowledge is transferred as well as to support practical arrangements.

59. At the request of Scottish Government, officers at the eight community justice authorities were asked to create resilience plans to ensure they can continue to discharge their full duties throughout the final year. The NSCJA plan was taken to members in June 2016 along with the joint risk register for the transition year.

Redesigning the community justice system

56. As previously noted in our 2014/15 annual audit report and in our 2015/16 annual audit plan, the existing community justice authorities will be disestablished on 31 March 2017. Services are being transferred to community planning partnerships and a new national body Community Justice Scotland will be created.

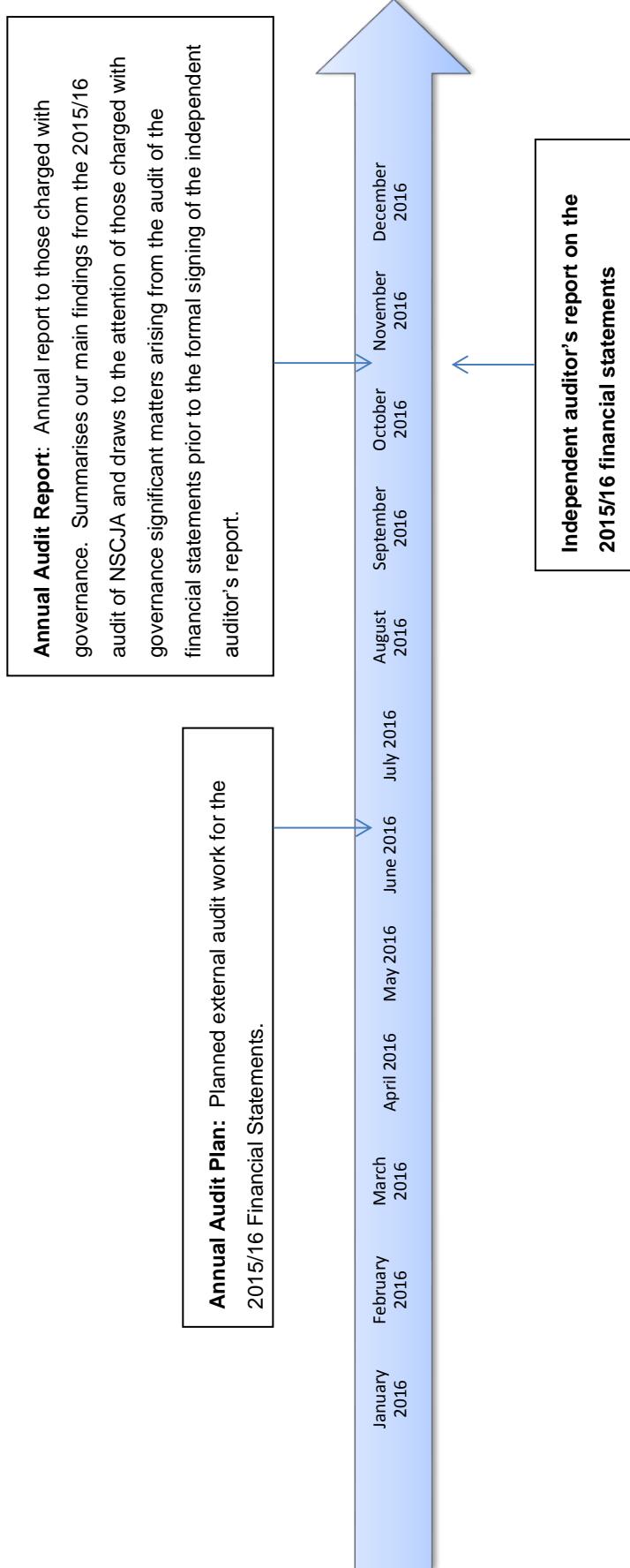
Appendix I: Significant audit risks

The table below sets out the financial statement 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.

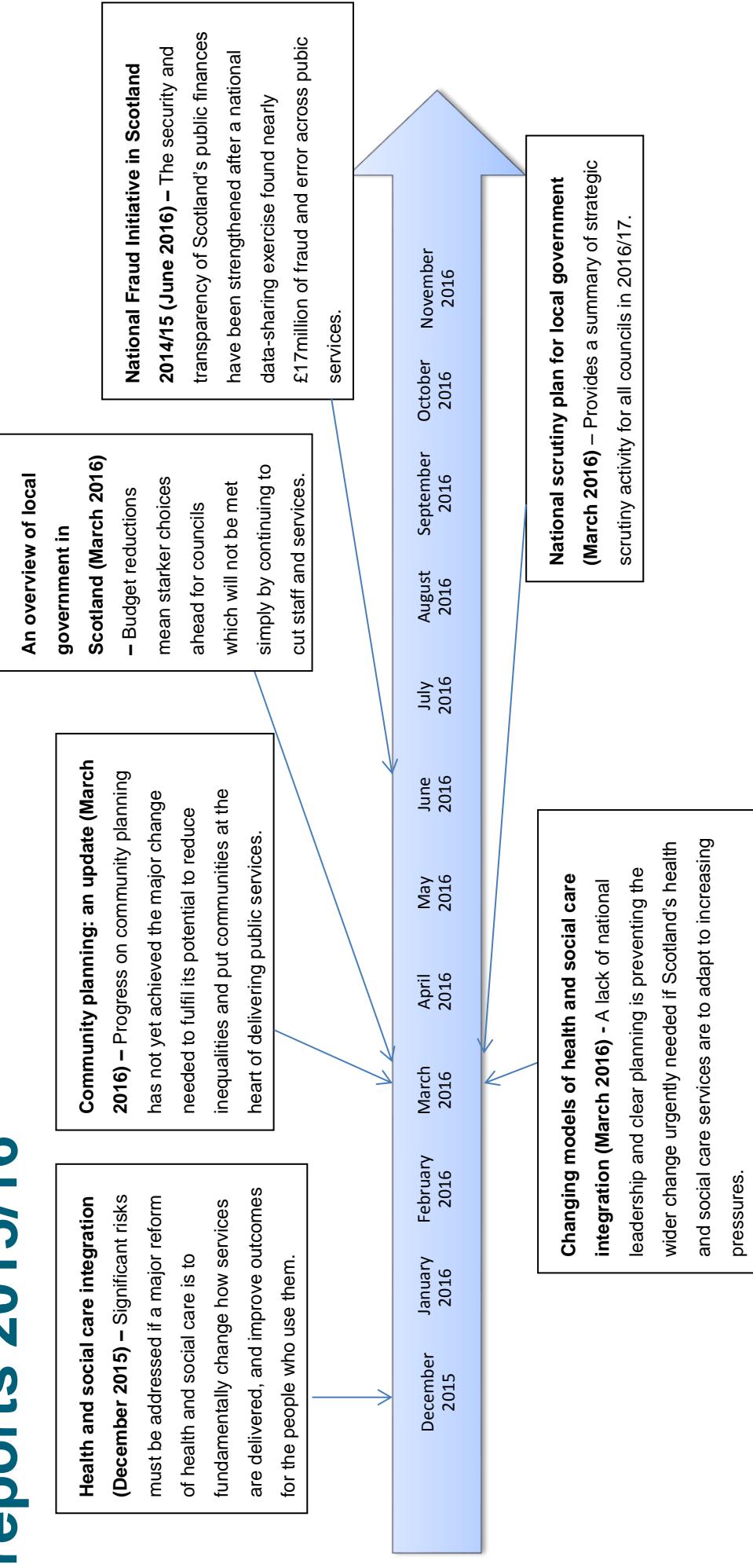
| Audit Risk | Assurance procedure | Results and conclusions |
|--|--|---|
| Risk of material misstatement <p>Risk of management override of control ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit.</p> <p>Risk Management's ability to manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.</p> | <ul style="list-style-type: none"> Detailed testing of journal entries Review of accounting estimates Evaluating significant transactions that are outside the normal course of business Focused testing of accruals and prepayments | <p>We sampled tested journal entries, reviewed accounting entries over the year-end for bias. No issues found.</p> |
| <p>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</p> <p>Community justice re-design CJAs will cease to exist on March 2017 following a transition year when CPPs will take on duties. Current staff are assisting CPPs and Scottish Government to ensure sharing of knowledge and expertise. There is a risk that</p> | <ul style="list-style-type: none"> Review the 2015/16 update on progress of objectives of area plan and comment on progress in annual report on the audit. Review financial outturn versus budget and investigate significant or unusual | <p>The Chief Officer chairs the CJA finance officers group which is planning for the final year of CJAs. NSCJA has been part of the CJA Disestablishment Group and CPP Transitions group which have been put in place to ensure that knowledge is transferred as well as to support practical</p> |

| Audit Risk | Assurance procedure | Results and conclusions |
|--|--|--|
| <p>NSCJA may not be fully focused on achieving its objectives.</p> | <ul style="list-style-type: none"> differences. Review updates on progress on transition to NSCJA and consider level of preparedness for comment in annual report on the audit. Enquire and investigate about dilapidation costs on lease | <p>arrangements. NSCJA officers are working with IT, Finance and Corporate Services departments in Renfrewshire Council to ensure a smooth closure of NSCJA.</p> |

Appendix II: Summary of North Strathclyde Community Justice Authority 2015/16



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



Appendix IV: Action plan

| No. | Paragraph ref. | Issue/risk/Recommendation ref. | Management action/response ref. | Responsible officer / Target date |
|-----|----------------|--|---|--|
| 1. | 28 | <p>Service level agreement</p> <p>The service level agreement between NSCJA and Renfrewshire Council ended on 31 March 2016. There is currently no formal agreement in place for 2016/17.</p> <p>Risk</p> <p>There is a risk that NSCJA incur additional costs, which are not included in the budget, due to the extra support received from Renfrewshire Council in winding up NSCJA and transferring services to CPP.</p> <p>Recommendation</p> <p>NSCJA formally records that the conditions and terms of the service level agreement extend into 2016/17.</p> | <p>An informal agreement is currently in place to continue the SLA under the 2015/16 terms and conditions for 2016/17.</p> <p>We will minute that the agreement is extended into 2016/17.</p> | <p>Chief officer Treasurer</p> <p>30 November 2016</p> |

| No. | Paragraph ref. | Issue/risk/Recommendation | Management action/response | Responsible officer / Target date |
|-----|----------------|--|---|-----------------------------------|
| 2. | 42 | <p>Inquorate meetings Meetings scheduled for September 2015 and September 2016 were inquorate.</p> <p>Risk If meetings begin to be routinely rescheduled, particularly during a period of change, there is a risk that progress in the final year is not monitored effectively and members and officers cannot address issues raised in a timely manner, or judgements and decisions are delayed e.g. on the final severance settlement.</p> <p>Recommendation Chief Officer and convener should remind members of the importance of attending all remaining meetings.</p> | <p>Meetings are scheduled for December 2016 and March 2017. The Convener and Chief Officer have written to members about the importance of attending meetings and the clerk has also met with members to stress the importance of attending the remaining meetings.</p> | Chief Officer Convener |