

NORTH STRATHCLYDE COMMUNITY JUSTICE AUTHORITY

To: North Strathclyde Community Justice Authority

On: 11 December 2015

Report by: The Treasurer and the Chief Officer

Heading: Audited Annual Accounts 2014-15

1. Summary

- 1.1. At the meeting of the North Strathclyde Community Justice Authority on 12 June 2015 a report on the unaudited accounts for the year ended 31 March 2015 was noted.
 - 1.2. The audit certificate issued by Audit Scotland provides an unqualified opinion that the abstract of the accounts presents a true and fair view of the financial position of the Authority as at 31 March 2015, in accordance with the accounting policies detailed in the accounts.
 - 1.3. A report on the 2014-15 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.
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2. Recommendations

- 2.1 It is recommended that members approve the audited accounts and note the report by Audit Scotland.
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Annual Financial Statements 2014/15

**North Strathclyde Community Justice Authority
Annual Accounts 2014/15**

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Management Commentary

Introduction

The financial results for the North Strathclyde Community Justice Authority (“the CJA” or “the Authority”) for 2014/15 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 2014-15 Action Plan consisted of 12 actions and 37 activities associated to the actions. Of the 37 activities in the Action Plan, 30(81%) had been achieved within timescale and 7(19%) had not been achieved, which is consistent with previous years. The 7 activities that were not achieved within timescale were 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.

The Community Justice (Scotland) 2015 Bill, which will enable CPPs to assume responsibility, is at the final draft stage and is expected to be ready for introduction to Parliament before summer 2015. 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 £215,594 in 2014/15, (£220,477 in 2013/14).
- 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 £188,267 was received from the Scottish Government in 2014/15 with respect to Fiscal Works Orders and Women's Justice Services funding.

The Comprehensive Income and Expenditure Statement shows an in year deficit of £18,000, 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 (£13,000).

	Budget £	Actual £	Variance £
Employee Costs	164,250	161,242	3,008
Property Costs	20,578	19,554	1,024
Supplies and Services	1,150	653	497
Section 27 Payments	10,117,963	10,117,963	-
Administrative Costs	10,004	7,841	2,163
Payments to Other Bodies	26,700	26,775	(75)
Other Payments to Authorities	-	188,267	(188,267)
Total Expenditure	10,340,645	10,522,295	(181,650)
Section 27 Income	(10,117,963)	(10,117,963)	-
Administration Grant	(222,682)	(215,594)	(7,088)
Other Income from the Scottish Government	-	(188,267)	188,267
Other Income	-	(471)	471
Total Income	(10,340,645)	(10,522,295)	181,650
(Surplus)/Deficit for Year	-	-	-

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Capital and Reserves

The Authority does not have the legal powers necessary to hold assets and as such the organisation has no capital spend. Cash balances held by the Authority are matched by creditor balances. The creditor balance relating to the revenue reserve is a balance of £715. 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 future income and as such the going concern presumption is 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
29 October 2015

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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 2015.

James Hunter

Chief Officer and Accountable Officer

29 October 2015

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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 2015. 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 2014-15 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
29 October 2015

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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 2014/15.

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.

2013/14	Senior Employees		2014/15			
Total	Name	Post Held	Salary, fees and allowances	Expenses allowance chargeable to UK income tax	Other (i)	Total
£			£	£	£	£
65,700	James Hunter	Chief Officer	66,357	-	-	66,357
2013/14	Senior Councillors		2014/15			
Total	Name	Post Held	Salary, fees and allowances	Expenses allowance chargeable to UK income tax	Other (i)	Total
£			£	£	£	£
3,076	Alan Lafferty	Depute Convener	3,107	-	-	3,107
3,076	Total		3,107	-	-	3,107

(i) "other" includes any payments made by the Authority by way of remuneration to, or in respect of, the person that do not otherwise fall within this paragraph, other than payments relating to pensions.

(ii) 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.

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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 2015, whether or not those amounts were actually paid to, or received by, those persons within that period.

Pension rights

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

For local government employees this is a final salary pension scheme. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme. The scheme's normal retirement age is 65.

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.

2013/14	Member contribution rates on earnings in the bands below	2014/15
Up to £19,800	5.5%	Up to £20,335
£19,801 to £24,200	7.25%	£20,336 to £24,853
£24,201 to £33,200	8.5%	£24,854 to £34,096
£33,201 to £44,200	9.5%	£34,097 to £45,393
Over £44,201	12%	Over £45,394

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

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 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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 2015		Change in accrued pension benefits since 31 March 2014		Pension contributions made by NSCJA during 2014-2015
Name	Post Held	Pension £m	Lump Sum £m	Pension £m	Lump Sum £m	(i) £
James Hunter	Chief Officer	0.032	0.077	+0.001	+0.001	12,807

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Senior Councillors		Accrued Pension benefits as at 31 March 2015		Change in accrued pension benefits since 31 March 2014		Pension contributions made by NSCJA during 2014-2015
Name	Post Held	Pension	Lump Sum	Pension	Lump Sum	(i)
		£	£	£	£	£
Alan Lafferty	Depute Convener	2,772	1,538	275	-26	600

(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 2014/15, in bands of £5,000.

2013/14 Number of employees	Remuneration Band	2014/15 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
29 October 2015

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Independent Auditors 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 2015 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 2014/15 (the 2014/15 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

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the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

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 2015 and of its net operating cost for the year ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code; and
- have been prepared in accordance with the requirements of the requirements 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 Accounts (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 Control does not comply with the 2014/15 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

30 October 2015

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Movement in Reserves Statement for the year ended 31 March 2015

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**.

		Usable reserves	Unusable reserves	
		Revenue Reserve	Pension Reserve	Total Reserves
	Note	£	£	£
Balance at 31 March 2013 carried forward		-	(62,000)	(62,000)
<i>Movement in reserves during 2013-14</i>				
Surplus or (deficit) on the provision of services		(14,069)		(14,069)
Other comprehensive income and expenditure	15a	-	(17,000)	(17,000)
Total comprehensive income and expenditure		(14,069)	(17,000)	(31,069)
Adjustments between accounting basis and funding basis under regulations	6b	13,000	(13,000)	-
Transfer from Creditors		1,784		1,784
Net increase or (decrease) before transfers to other statutory reserves		715	(30,000)	(29,285)
Transfers to or (from) other statutory reserves		-	-	-
Transfer to creditors	6a	(715)	-	(715)
Increase or (decrease) in 2013-14		-	(30,000)	(30,000)
Balance at 31 March 2014 carried forward		-	(92,000)	(92,000)
<i>Movement in reserves during 2014-15</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)

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Comprehensive Income and Expenditure Statement for the year ended 31 March 2015

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.

2013/14			2014/15
£		Note	£
175,998	Employee Costs		174,242
20,166	Property Costs		19,554
484	Supplies & Services		653
8,806	Administration Costs		7,841
26,730	Payments to Other Bodies		26,775
10,233,297	Section 27 Payments	12	10,117,963
35,500	Other Payments	12	188,267
10,500,981	Cost of Services		10,535,295
(10,233,297)	Grant from Scottish Government - Section 27	12	(10,117,963)
(35,500)	Other Grants from Scottish Government	12	(188,267)
(220,477)	Administration Grant from Scottish Government		(215,594)
2,362	Financing & Investment Income and Expenditure	8	4,529
14,069	(Surplus) or deficit on the provision of services		18,000
	Actuarial (Gains) or losses on pension assets and liabilities	15a	115,000
17,000	Other Comprehensive Income & Expenditure		115,000
31,069	Total Comprehensive Income & Expenditure		133,000

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Balance Sheet as at 31 March 2015

The **balance sheet** shows the value as at 31 March 2015 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 2014 £		Note	31st March 2015 £
	<u>Current Assets</u>		
(47,478)	Funds held by Renfrewshire Council		(56,657)
325,488	Debtors and Prepayments	10	330,625
100	Cash and Cash Equivalents		100
<u>278,110</u>			<u>274,068</u>
	<u>less Current Liabilities</u>		
(278,110)	Creditors And Accruals	11	(274,068)
<u>-</u>	Net Assets Excluding Pension (Liability)/Asset		<u>-</u>
	<u>Long Term Liabilities</u>		
(92,000)	Pension (liability)/Asset	15c	(225,000)
<u>(92,000)</u>	Net (Liabilities)/Asset Including Pension		<u>(225,000)</u>
	<u>Represented by:</u>		
	Usable Reserves - revenue		
(715)	Balance due to Scottish Government		715
715	Transfer to Creditors		(715)
	Unusable Reserves		
(92,000)	Pension Reserve	6b	(225,000)
<u>(92,000)</u>			<u>(225,000)</u>

The unaudited accounts were issued on 2 June 2015 and the audited accounts were authorised for issue on 29 October 2015. Balance Sheet signed by:

James Hunter
Chief Officer
29 October 2015

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Cash flow Statement for the year ended 31 March 2015

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.

2013/14 £		2014/15 £
	Operating Activities	
	Cash Inflows	
(10,498,883)	Sale of goods and rendering of services	(10,516,474)
(638)	Interest received	(471)
(10,499,521)	Cash inflows generated from operating activities	(10,516,945)
	Cash Outflows	
137,296	Cash paid to and on behalf of employees	141,343
10,334,978	Cash paid to suppliers of goods and services	10,364,690
23,037	Other payments for operating activities	20,091
10,495,311	Cash outflows generated from operating activities	10,526,124
(4,210)	Net (increase)/decrease in cash and cash equivalents	9,179
(51,587)	Cash and cash equivalents at the beginning of the reporting period - short term deposits with Renfrewshire Council	(47,378)
(47,378)	Cash and cash equivalents at the end of the reporting period - short term deposits with Renfrewshire Council	(56,557)
(4,210)	Net cash outflow/(inflow) in cash and cash equivalents in year	9,179

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Note 1 Summary of Significant Accounting Policies

The Financial Statements for the year ended 31 March 2015 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Best Value Accounting Code of Practice, 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 2014/15.

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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 2015 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

There are no accounting standards relevant to the financial statements of the Authority which have not been adopted.

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 leased by the CJA has concluded it is an operating lease.

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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 2015 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 £41,000. However, the assumptions interact in complex ways. During 2014/15, the appointed actuaries advised that the net pension liability had increased by £115,000 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 2015, 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.

Note 6 Details of Movement in Reserves

a. Revenue Reserve

2013/14		2014/15
£		£
(1,784)	Balance as at 1 April	(715)
(13,000)	Transfer to pension reserve	(18,000)
14,069	(Surplus) or Deficit on provision of services (from the Comprehensive Income & Expenditure Account)	18,000
(715)	Balance as at 31 March	(715)

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b. Pension Reserve

2013/14		2014/15
£		£
(62,000)	Balance as at 1 April	(92,000)
(17,000)	Actuarial Gains and Losses (see note 15)	(115,000)
(13,000)	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	(18,000)
<u>(92,000)</u>	Balance as at 31 March	<u>(225,000)</u>

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 £18,000 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.

2013/14		2014/15
£		£
	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	
(33,000)	Net charges made for retirement benefits in accordance with IAS19	(38,000)
<u>(33,000)</u>		<u>(38,000)</u>
	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	Employers contributions payable to the Strathclyde Pension Fund	20,000
<u>(13,000)</u>	Net additional amount required to be debited or credited to the Revenue Reserves balance for the year	<u>(18,000)</u>

Note 8 Financing & Investment Income

2013/14		2014/15
£		£
(638)	Interest on Balances	(471)
3,000	Pension Interest Cost	5,000
<u>2,362</u>	Total Financing and Investment Income	<u>4,529</u>

Note 9 Operating Leases

The Authority has acquired office accommodation at the Mile End Centre in Paisley by entering into an operating lease until December 2015. The expenditure charged in year to the Comprehensive Income and Expenditure Statement was £15,655 (2013/14 £15,876).

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2013/14		2014/15
£		£
	Future Minimum Lease Payments	
11,907	- not later than one year	11,907
-	- later than one year and not later than five years	-
-	- later than five years	-
11,907	Total	11,907

Note 10 Debtors

31st March 2014		31st March 2015
£		£
322,295	Central government bodies	327,644
3,193	Other Entities and Individuals	2,980
325,488	Total short term debtors	330,624

Note 11 Creditors

31st March 2014		31st March 2015
£		£
715	Scottish Government	715
259,691	Other local authorities	257,659
5,358	Short Term Accumulating Absences	3,311
8,960	Accrued Payrolls	8,450
3,386	Other entities and individuals	3,933
278,110	Total short term creditors	274,068

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 2015 was £22,400 (2013/14 £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:

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- 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 2014/15

SERVICE	2014-15 ALLOCATION	VIREMENTS	REVISED ALLOCATION	STAFFING COSTS	OTHER COSTS	OVERHEADS	SPEND AS AT 31ST MARCH 2015	VARIANCE
CORE								
Community Payback Order	3,455,171	147,346	3,602,517	3,183,442	638,652	178,827	4,000,921	(£398,404)
Criminal Justice Social Work Report	1,298,244	72,037	1,370,281	1,096,974	231,602	62,845	1,391,421	(£21,140)
Throughcare	844,357	(£3,290)	841,067	582,271	99,176	43,139	724,586	116,481
Home Detention Curfew	32,135	(£1,937)	30,198	10,350	11,115	326	21,791	8,407
Diversion	76,661	2,254	78,915	70,920	12,054	6,253	89,227	(£10,312)
Bail	189,018	23,303	212,321	128,139	15,957	11,727	155,823	56,498
Court Services	325,537	81,560	407,097	255,818	39,986	14,674	310,478	96,619
DTTO	902,348	(£85,784)	816,564	496,194	274,531	35,794	806,519	10,045
Total Core Services	7,123,471	235,489	7,358,960	5,824,108	1,323,073	353,585	7,500,766	(£141,806)
NON CORE								
Centrally Initiated Funding								
Arrest Referral	49,200	0	49,200	16,129	33,071	0	49,200	0
Constructs	588,858	(£27,385)	561,473	318,314	159,792	30,410	508,516	52,957
CSOGP	246,797	0	246,797	276,605	29,202	19,744	325,551	(£78,754)
Delivery of the National Training Programme	60,000	0	60,000	26,393	17,752	4,800	48,945	11,055
Fiscal Work Order Pilots	37,500	0	37,500	15,078	22,839	0	37,917	(£417)
MAPPA	134,227	0	134,227	113,520	4,104	8,710	126,334	7,893
Turnaround Project	1,100,000	0	1,100,000	0	1,090,000	0	1,090,000	10,000
Total Centrally Initiated Funding	2,216,582	(£27,385)	2,189,197	766,039	1,356,760	63,664	2,186,463	2,734
Non-Centrally Initiated Funding	777,910	(£208,104)	569,806	286,971	243,898	19,032	549,901	19,905
Total Non Core	2,994,492	(£235,489)	2,759,003	1,053,010	1,600,658	82,696	2,736,364	22,639
SECTION 27 TOTAL	10,117,963	0	10,117,963	6,877,118	2,923,731	436,281	10,237,130	(£119,167)
Other Funding								
Women's Justice Service	175,767	0	175,767	37,690	133,845	2,983	174,518	1,249
Fiscal Work's Order	12,500	0	12,500	5,026	7,613	0	12,639	(£139)
OVERALL TOTAL	10,306,230	0	10,306,230	6,919,834	3,065,189	439,264	10,424,287	(£118,057)

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

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 2014/15 were £4,375 (£4,330 in 2013/14). 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 2014/15.

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

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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 2014/15:

2013/14		Note	2014/15
£			£
	Comprehensive Income & Expenditure Statement		
	Cost of Services:		
30,000	Current service cost	(i)	33,000
-	Past service cost/(gain)	(ii)	-
-	Settlements & curtailments	(iii)	-
30,000			33,000
	Financing & Investment Income & Expenditure		
3,000	Net Interest	(iv)	5,000
33,000	Total post employment benefit charged to the Surplus or Deficit on the Provision of Services		38,000
	Other post employment benefit charged to the Comprehensive Income and Expenditure Statement		
(16,000)	Return on assets excluding amounts included in net interest Actuarial (gains) and losses arising on changes in financial assumptions		(109,000)
33,000			224,000
17,000	Total Actuarial (gain) and losses		115,000
50,000	Total post employment benefit charged to the Comprehensive Income and Expenditure Statement		153,000
	Movement in Reserves Statement		
(30,000)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits according with the Code	(v)	(133,000)
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 (£18,000).

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The Authority is also responsible for all pension payments relating to added years benefits it has awarded, together with related increases. In 2014/15 these amounted to £nil (2013/14 £nil).

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £0.115 million are included in the Movement in Reserves Statement (2013/14 £0.017 million loss). The cumulative amount of actuarial losses is £0.191 million (2013/14 £0.076 million).

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

2013/14		2014/15
£000		£000
796	Opening present value	902
30	Current service cost	33
37	Interest Cost	40
9	Employee Contributions	8
	Remeasurement (gains)/losses:	
33	Actuarial (gains)/losses arising from changes in financial assumptions	224
(3)	Benefits Paid	-
902	Closing Present Value Balance	1,207

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

2013/14		2014/15
£000		£000
734	Opening Fair Value	810
34	Interest Income	35
	Remeasurement gain/(loss):	
16	Return on assets excluding amounts included in net interest	109
20	Contributions from employer	20
9	Contributions from employee	8
(3)	Benefits Paid	-
810	Closing fair value of scheme assets	982

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15c. Fund history

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Present Value of Liabilities	(582)	(646)	(796)	(902)	(1,207)
Fair value of assets	581	615	734	810	982
Surplus/(deficit) in the scheme	(1)	(31)	(62)	(92)	(225)

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

The total liability of £0.225 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.

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 2014	Year Ended:	31st March 2015
Mortality assumptions		
Longevity at 65 for current pensioners		
21.0 years	• Men	22.1 years
23.4 years	• Women	23.6 years
Longevity at 65 for Future pensioners		
23.3 years	• Men	24.8 years
25.3 years	• Women	26.2 years
5.1%	Rate of increase in salaries*	4.3%
2.8%	Rate of increase in pensions	2.4%
4.3%	Rate for discounting scheme liabilities	3.2%
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%

*Salary increases are assumed at 1% p.a. until 31 March 2015 and reverting to the long term assumption thereafter.

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

31st March 2014			31st March 2015
£000		Percentage	£000
	Equity Securities		
75	Consumer	9.5%	93
65	Manufacturing	7.5%	74
30	Energy and Utilities	3.0%	29
54	Financial Institutions	6.9%	68
28	Health and Care	4.1%	40
44	Information Technology	5.7%	56
296	Total Equity	36.7%	360
	Private Equity		
76	All	9.8%	96
76	Total Private Equity	9.8%	96
	Real Estate		
57	UK Property	9.2%	90
-	Overseas Property	0.0%	-
57	Total Real Estate	9.2%	90
	Investment Funds & Unit Trusts		
247	Equities	28.8%	283
94	Bonds	12.6%	124
1	Infrastructure	0.3%	3
-	Other	0.2%	2
342	Total Investment Funds & Unit Trusts	42.0%	412
	Derivatives		
-	Inflation	0.0%	-
-	Interest Rate	0.0%	-
-	Foreign Exchange	0.0%	-
-	Other	0.0%	-
-	Total Derivatives	0.0%	-
	Cash & Cash Equivalents		
39	All	2.4%	24
39	Total Cash & Cash Equivalents	2.4%	24
810	Total	100%	982

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 and 2016-17. This rate may vary thereafter following triennial valuation to be carried out as at 31 March 2014.

The fund will require to assess the impact for future accruals and contributions from impending changes to the LGPS such as the move from 1 April 2015 to a career average revalued earning (CARE) scheme.

North Strathclyde Community Justice Authority
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The total contributions expected to be made by the Authority to Strathclyde Pension Fund in the year to 31 March 2016 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

Proposed Annual report
on the 2014/15 audit



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Audit Scotland is a statutory body which provides audit services to the Accounts Commission and the Auditor General. (www.audit-scotland.gov.uk)

The Auditor General for Scotland appoints external auditors to central government bodies (www.audit-scotland.gov.uk/about/ags).

The Auditor General 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	<ul style="list-style-type: none">• Unqualified auditor's report on the 2014/15 financial statements.
Financial management and sustainability	<ul style="list-style-type: none">• NSCJA operated within its administration grant of £222k.• NSCJA incurred an accounting deficit of £18k. The deficit was due to pension accounting adjustments at the year-end.• The spend on community justice by authorities was £118k (1%) greater than the grant distributed of £10,306k. The excess is funded by the individual authorities.
Governance and transparency	<ul style="list-style-type: none">• Overall satisfactory internal control arrangements but for the past three years at least one meeting of the NSCJA has been inquorate and had to be rescheduled. During a period of change we consider it important that members meet as planned to avoid delays in addressing issues in a timely manner.
Outlook	<ul style="list-style-type: none">• CJAs 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 CJAs and the Scottish Government in planning for a smooth transfer of duties. In the meantime it is working to, and regularly reporting on, its 2015-16 action plan.

Introduction

1. This report is a summary of our findings arising from the 2014/15 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.

Audit of the 2014/15 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.
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.

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.

Submission of financial statements for audit

9. We received the unaudited financial statements on 3 June 2015, in accordance with the agreed timetable. The working papers were of a high standard and staff provided good support to the audit team.

12. 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.

Overview of the scope of the audit of the financial statements

10. 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 May 2015.

11. 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 2014/15 agreed fee

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.

13. 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

14. 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).
15. 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.
16. 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 2014/15 at £105,000 (1% of gross expenditure). We report all misstatements greater than £1,000. Performance materiality was calculated at £52,000 to reduce to an acceptable level the probability of uncorrected and undetected audit differences exceeding our planning materiality level.
17. On receipt of the financial statements we reviewed our materiality levels. The materiality figures remained unchanged from those set during our planning work.

Evaluation of misstatements

18. 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.

Significant findings from the audit

19. 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.
20. There are no matters, other than those set out elsewhere in this report, to which we wish to draw to your attention.

Financial management and sustainability



Financial management

21. 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.

Financial outcomes

22. In 2014/15 NSCJA incurred an accounting deficit on the provision of services of £18,000 (2013/14 £14,069) as shown in the Comprehensive Income and Expenditure Statement (CIES). The breakeven position as presented in the management commentary is different because it is prior to pension adjustments. As the budget is prepared and monitored against in this way, it is appropriate for the management commentary details to be presented as such.

23. In the CIES, cost of services marginally increased from £10.501m (2013/14) to £10.535m (2014/15). While there was a decrease in the main Scottish Government s27 grant from £10.233m to £10.117m there was an increase in other grant income from the Scottish Government (for 2014/15 it was for fiscal works and women justice services) which was duly disbursed to the constituent authorities.

24. As shown in note 12 to the accounts the total value of grants distributed was £10.306m. The total spend on Section 27 expenditure was £10.424m and the difference is funded by the local authorities.

Financial management arrangements

25. 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.

26. Revenue budget monitoring reports are regularly provided to NSCJA meetings and include forecast outturn for the year. In December 2014 the Treasurer and Chief Officer had projected a

year-end overspend of £188,053, which decreased to £118,067 by the year-end.

27. Internal audit confirmed that a review and update of NSCJA's financial regulations had been undertaken and that they were approved in June 2014.

Conclusion on financial management

28. We have concluded that the NSCJA's financial management arrangements are satisfactory.

Financial sustainability

29. 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 planning

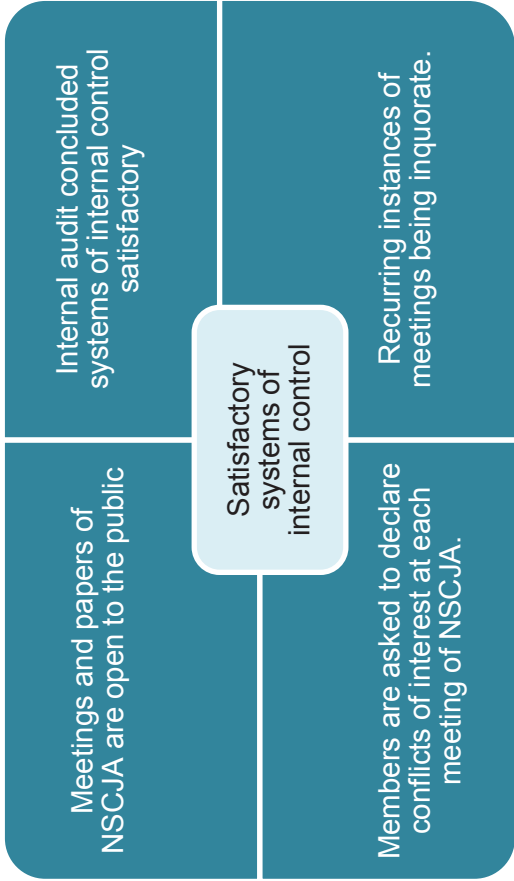
30. In November 2014, the Scottish Government confirmed to NSCJA that section 27 funding for 2015/16 would be £10,000,494; a decrease of £117,469 (1%) from the previous year. Quarter 1 monitoring report shows that an overspend of £183,058 is forecast primarily due to overspends at Argyll, Bute and Dunbartonshire (£137,397) and East Renfrewshire Council (£47,318). As previously noted the section 27 overspends are borne by the individual authorities.

31. NSCJA were initially allocated an administration grant of £224,909 for 2015/16. This is a 1% increase from 2014/15 (£222,682). Additional administration funding of £30,000 was allocated to NSCJA in relation to maternity leave cover for one full time member of staff in 2015/16. Therefore total administration grant funding in 2015/16 is £254,909.
32. The report to NSCJA in September 2015 forecasts that there will be an underspend of £9,095 for the year.

Conclusion on financial sustainability

33. We conclude NSCJA is managing its cost base within administrative grant.

Governance and transparency



NSCJA meetings

- 36. In our Annual Audit Plan we reported that in 2013 and 2014 some meetings had not been quorate. Two meetings held in June of 2013, one in December 2013 and also December 2014, all failed to constitute a quorum.
- 37. For 2015 the meetings planned for March and June were held as planned but the September 2015 meeting was again inquorate. If meetings begin to be routinely rescheduled, particularly during a period of change, there is a risk that members and officers cannot address issues raised in a timely manner, or judgments and decisions are delayed.

Appendix IV – Action Plan No. 1

Internal control

- 38. 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.
- 39. With Renfrewshire Council (the 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.

- 34. 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.
- 35. 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 the an audited body is taking decisions and how it is using its resources.

40. In the 2014/15 Internal Audit Annual Report on NSCJA, the Chief Auditor concluded that satisfactory assurances can be placed upon that the system of internal control is operating in a satisfactory manner.

Internal audit

41. 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.
42. 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 placed reliance on their work on Renfrewshire Council's treasury management and payroll systems.

Arrangements for the prevention and detection of fraud

43. 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.

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

44. 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.

Transparency

45. When assessing transparency we consider questions such as:
- Are meetings are 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?
46. Meetings of NSCJA are held in public and papers 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.

Best Value and performance

47. Best value is a key factor to consider when planning policies, programmes and projects and when taking any spending decisions. NSCJA should have systems and processes to ensure that it can demonstrate that it is delivering best value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Area Plan

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

Overview of performance targets in 2014/15

50. Progress reports of the annual action plan are presented at each meeting of NSCJA. The final progress report for the 2014/15 action plan was presented at the March 2015 NSCJA meeting. The action plan aligns the aims and objectives stated in the 2014-17 Area Plan.
51. Of the 37 activities outlined in the plan 30 (81%) were achieved within timescale and 7 (19%) were not achieved but this was often down to initiatives at a national level being postponed e.g. Equally

Safe and Fiscal work roll-out. The activities have been revised, and reduced to 19 points, for the 2015-16 action plan.

Redesigning the community justice system

52. As we noted in our 2013/14 annual audit report that the criminal justice system in Scotland is currently being undergoing significant changes.
53. In December 2014, the Scottish Government published its response to its consultation 'The Future Model for Community Justice in Scotland'. The redesign of the community justice system is currently being implemented with community planning partnerships being central to the new arrangements. A new national body Community Justice Scotland will be created and the existing community justice authorities will be disestablished.

The timescales which have been identified mean that community planning partnerships will assume responsibility under the new model in transition from 1 April 2016. Full responsibility will be conferred from 1 April 2017. The existing community justice authorities will be disestablished on 31 March 2017.

54. The Community Justice (Scotland) Bill was introduced to Parliament in May 2015 by the Cabinet Secretary for Justice. An initial transition plan was presented to the NSCJA in June 2015. This plan aims to outline a local and national response to assist community planning partnerships in understanding the role they will play in the new model and ensuring a smooth transition to the new arrangements.

55. An indicative timescale is that 2015-16 is the planning year; 2016/17 the transition year and from 1 April 2017 the new model will come fully into effect.

Outlook

56. 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 NSCJA is providing information on Scottish Government consultation and calls for evidence. NSCJA is reasonably placed at this stage to manage the transition arrangements.

Appendix I – Significant audit risks

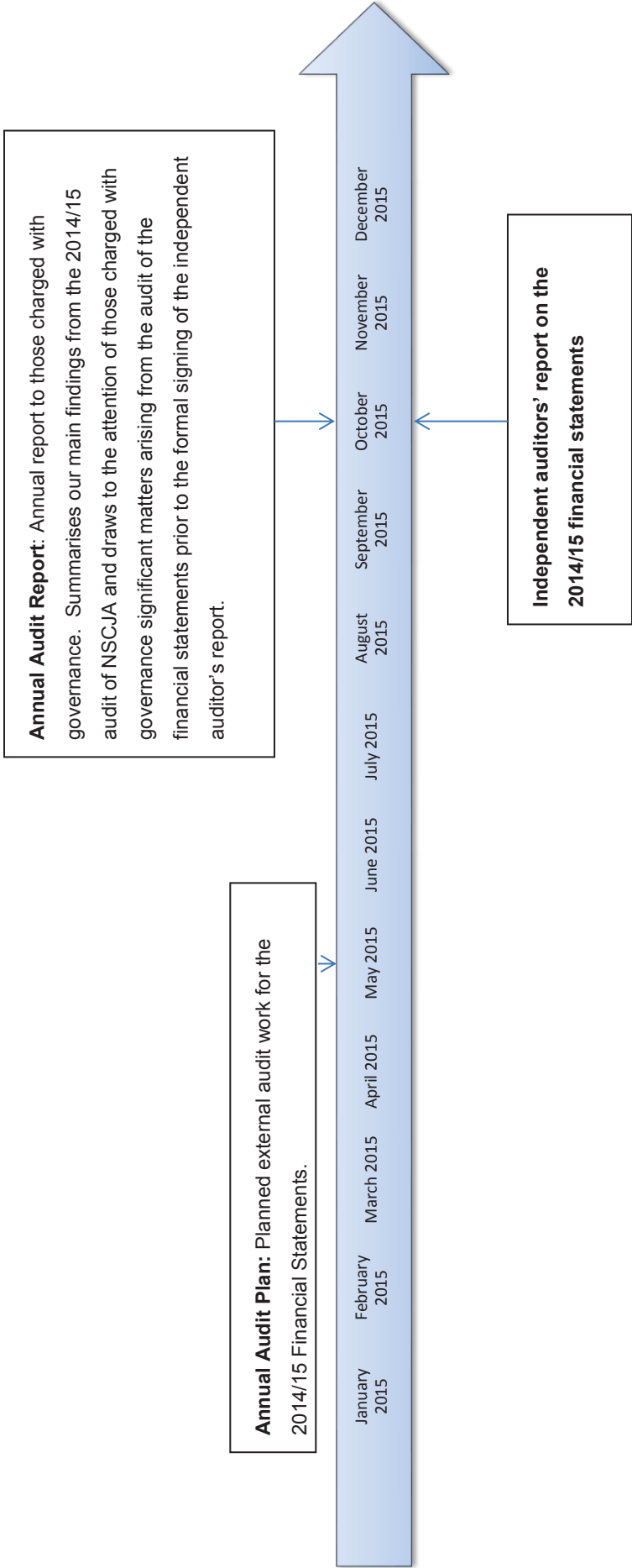
The table below sets out the financial statement audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure	Results and conclusions
<p>Redesign of Community Justice Authorities</p> <p>CJAs will cease to exist on March 2017 following a proposed shadow year when CPP's will take on duties.</p> <p><i>There is a risk that NSCJA may not be fully focused on achieving objectives and that staff morale may be affected.</i></p>	<ul style="list-style-type: none"> Review revised scheme of delegation NSCJA continue to work to 2014-2017 Area Plan Chief Officer provides quarterly performance reports to members. NSCJA working with partner authorities on agreeing future roles/jobs of current staff. CJA Disestablishment Group and CPP Transitions group in place to ensure that knowledge transferred and to support practical arrangements. Current staff assisting CPPs to ensure sharing of knowledge and expertise. 	<ul style="list-style-type: none"> Reviewed the 2014/15 update on progress of objectives of area plan. Reviewed financial outturn versus budget. Reviewed updates on progress on transition to NSCJA.

Audit Risk		Assurance procedure		Results and conclusions
Management override of controls Management have the ability to override controls. There is an inherent risk that management manipulate accounting records and prepare fraudulent or biased financial statements by overriding controls that otherwise appear to be operating effectively.		<ul style="list-style-type: none">Detailed testing of journal entriesReview of accounting estimatesEvaluation of significant transactions that are outside the normal course of business.		Our testing of journal entries and review of accounting estimates was satisfactory and there were no significant transactions outside the normal course of business.

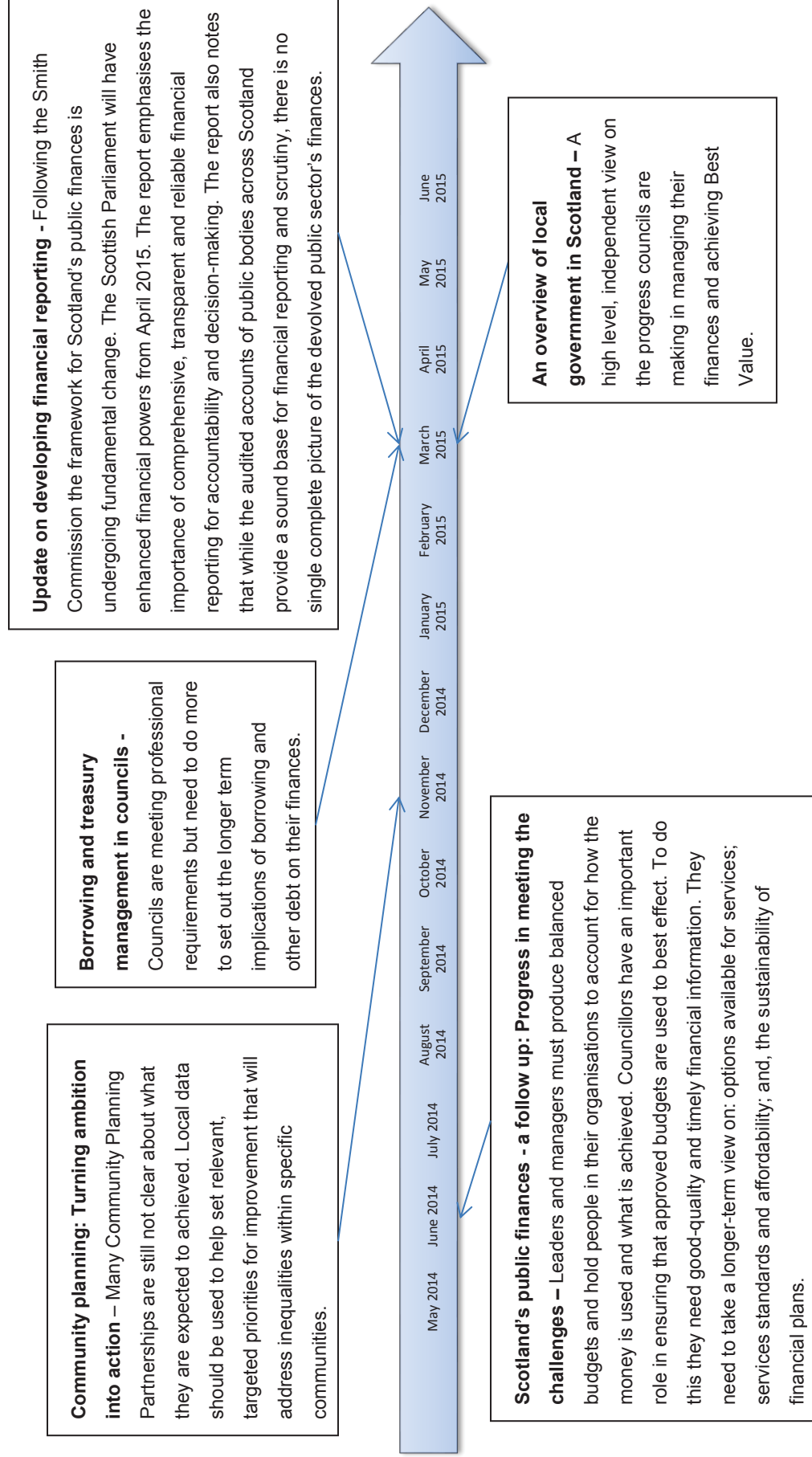
Appendix II

Summary of NSCJA local audit reports 2014/15



Appendix III

Summary of Audit Scotland national reports 2014/15



Appendix IV

Action plan

No./ para	Issue/risk/Recommendation	Management action/response	Responsible officer	Target date
1/37	<p>Inquorate meetings Meetings scheduled for December 2014 and September 2015 were inquorate.</p> <p>Risk If meetings begin to be routinely rescheduled, particularly during a period of change, there is a risk that members and officers cannot address issues raised in a timely manner, or judgements and decisions are delayed.</p> <p>Recommendation Chief Officer and convener will remind all members of the importance of attending all meetings.</p>	During the transition phase the Chief Officer and Convener will remind all members of the importance of attending all meetings.	Chief Officer and Convener	31 December 2015