

Scottish Legal Aid Board

Annual Report to the Board and the Auditor General for Scotland for the financial year ended 31 March 2016

28 July 2016



Key Messages

2015-16 has been a key transitional year for the Scottish Legal Aid Board, with a new Chief Executive being appointed in year, and a number of significant changes at Board level at the financial year end with the Chairman of the Board and the Audit Committee Convener both reaching the end of their terms of office. These changes have provided an excellent opportunity for SLAB to consider future strategy and considering the potential to further improve scrutiny arrangements.

Long-term funding remains a key uncertainty, and management are actively seeking to progress discussions with Scottish Government over the sustainability of future funding for Legal Aid in Scotland.

ISA 260 requirements

Subject to the successful completion of our audit procedures, we expect to provide an unqualified opinion on both the financial statements of SLAB and on the regularity of transactions undertaken for the 2015-16 financial year. The draft financial statements were provided on 13 June 2016 along with supporting working papers.

We did not have to change our audit plan during the year and we did not find any fundamental weaknesses in the general IT control environment based on the work undertaken.

There were two minor proposed disclosure reclassification adjustments arising from our audit work, and we requested some minor disclosure changes to the narrative to bring disclosures in line with the 2015-16 FRoM.

Public Sector audit impact dimensions

Our external audit work is undertaken in accordance with the Audit Scotland Code of Practice (May 2011).

Our annual report is structured to reflect our wider responsibilities under the Code, and this year we have shaped this around the four Public Sector impact dimensions reflected in the Audit Scotland Corporate Strategy 2015-2018.

Financial management and sustainability

The Financial Position for both the Fund and the Board show significant net liabilities. These are driven by the pension and legal aid liabilities which are recognised on balance sheet but for which future funding is recognised in line with payment requirements rather than current obligations.

There are significant uncertainties around the long-term funding of Legal Aid in Scotland, and this is currently under review in conjunction with the Scottish Government.

Funding reductions and challenging efficiency targets are a continual challenge and are becoming increasingly difficult to deliver within the existing delivery model.

We have no concerns around financial capacity and note that the key members of the finance team have appropriate representation at a senior level within the organisation.

Governance and Transparency

SLAB's Governance Statement is balanced and in line with the requirements of the Scottish Public Finance Manual.

SLAB has effective arrangements in place to prevent and detect fraud and corruption.

There is currently a comprehensive review of wider governance arrangements. As part of this process, the future role of internal audit is being considered, with a move to a more risk-focused approach anticipated.

The current considerations of wider governance arrangements provides a good opportunity to step back and revisit risk strategy, risk register, risk tolerance and the appetite to further streamline the corporate risk register to remove potential areas of duplication.

There have been significant changes at Board level, with the Chairman, Audit Committee Convener and another Board member reached the end of their term at the financial year end, and five new members have joined the Board. These recent changes have provided an excellent opportunity to both review existing scrutiny and governance arrangements, and to consider any skills gaps or training requirements within the Board.

Best Value and Performance

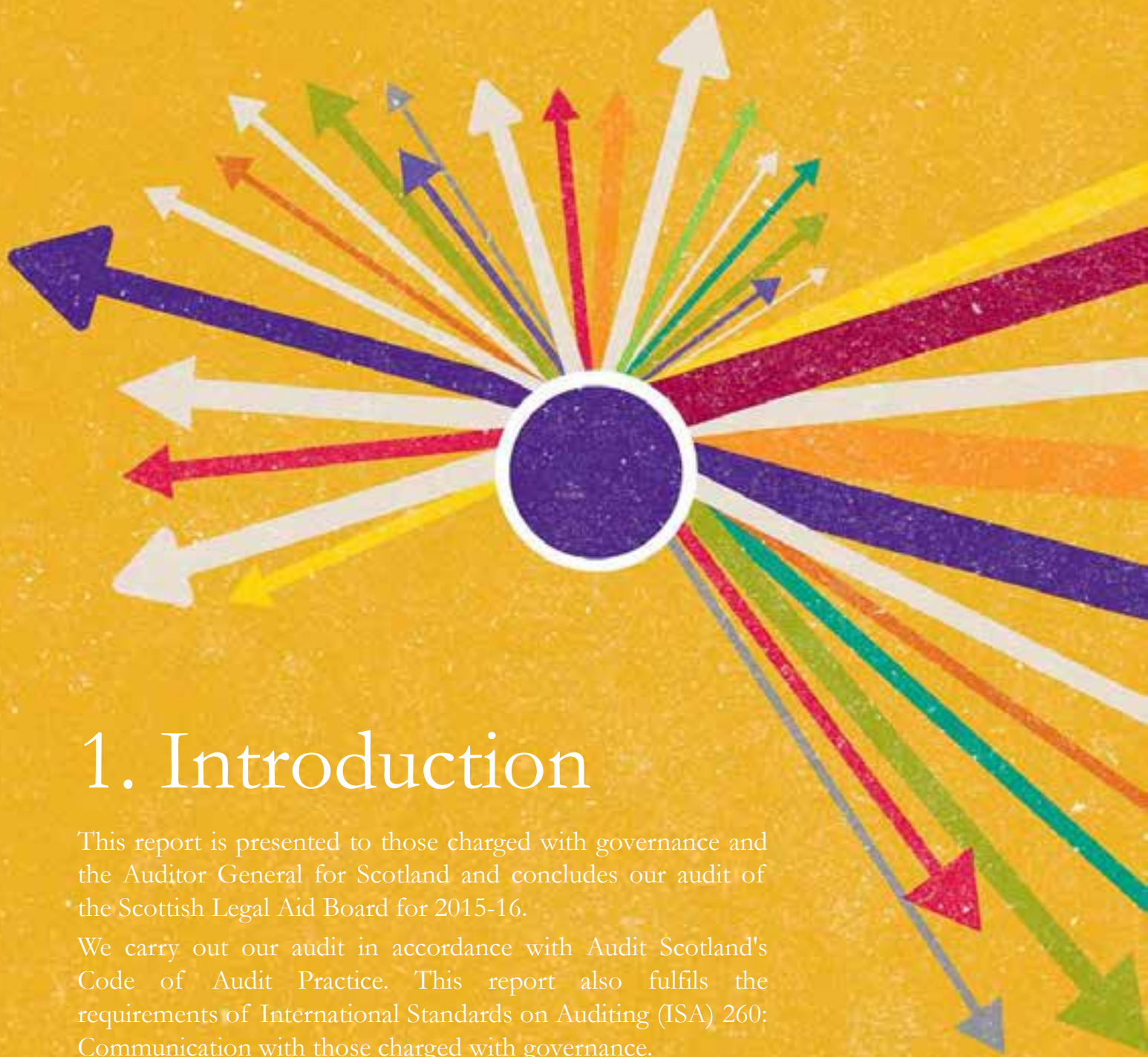
An internal audit review of best value arrangements noted good controls are in place around the delivery of best value.

There was a change of Chief Executive and Accountable officer in the year, with the retirement of the Chief Executive in August 2015 and the Director of Policy and Development and Deputy Chief Executive promoted to the role.

In his new role, the Chief Executive is looking at SLAB's internal controls, focused on compliance arrangements and understanding the value and overall assurance from each activity. He is also focused on reviewing and updating SLAB performance framework and Key Performance Indicators.

The retirement of the Chief Executive and Chairman have provided an opportunity for SLAB to re-look at its culture, future strategic vision and key operations from a new and fresh perspective.

SLAB continue to perform strongly against performance targets. Consideration should be given to the financial costs associated with meeting and exceeding the key performance indicators.



1. Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of the Scottish Legal Aid Board for 2015-16.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

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Introduction

Purpose of this report

The Auditor General for Scotland appointed Grant Thornton UK LLP as auditor of the Scottish Legal Aid Board ('SLAB') for the 5-year period 2011-12 to 2015-16. This appointment is made under the Public Finance and Accountability (Scotland) Act 2000.

Our annual audit report is addressed to those charged with governance at SLAB ("The Board"), and the Auditor General for Scotland. The report summarises our opinion and conclusions on significant issues arising from our audit. The scope of our audit work was set out in our Audit Plan, which was presented to the Audit Committee on 22 February 2016.

SLAB's responsibilities

It is the responsibility of SLAB and the Accountable Officer to prepare the financial statements in accordance with the HM Treasury Government Financial Reporting Manual (the FReM).

This means SLAB must:

- prepare financial statements which give a true and fair view of the financial position of SLAB and its income and expenditure for the year to 31 March 2016
- maintain proper accounting records which are up to date
- take steps to prevent and detect fraud and other irregularities.

SLAB is also responsible for establishing proper arrangements to ensure that:

- public business is conducted in accordance with the law and proper standards
- public money is safeguarded and properly accounted for
- economy, efficiency, effectiveness and Best Value is achieved in the use of resources.

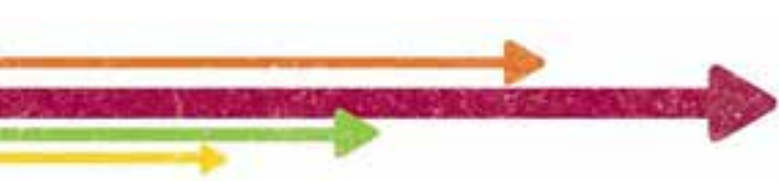
Our responsibilities

It is a condition of our appointment that we meet the requirements of the Code of Audit Practice ('the Code') which was published in May 2011, and is approved by the Accounts Commission and the Auditor General for Scotland.

The Code highlights the special accountabilities that are attached to the conduct of public business and the use of public money. This means that audits in the public sector must be planned and undertaken from a wider perspective than the private sector. Our responsibilities are outlined in **Figure 1**.

We are required to provide an opinion on the financial statements and Annual Governance Statement. Under the Code we are also required to review and report on the governance arrangements, Best Value, use of resources, and performance.

Under the requirements of the International Standard of Auditing (UK and Ireland) ('ISA') 260: Communication with those charged with governance, we are required to communicate audit matters arising from the audit of the financial statements to those charged with governance. This annual report to SLAB, together with previous reports to the Audit Committee throughout the year, discharges our ISA 260 commitments.



Acknowledgements

We would like to take this opportunity to record our thanks for the assistance provided by the Director of Corporate Services and Accounts, the Financial Controller and the finance team during the course of our work.

Figure 1: Our responsibilities under the Code of Audit Practice

Financial Statements ▶

- Provide an opinion on:
- whether the financial statements provide a true and fair view of the financial position of SLAB
 - whether the financial statements have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements
 - the regularity of expenditure and income

Corporate governance ▶

- Review and report on SLAB's corporate governance arrangements as they relate to:
- SLAB's corporate governance and systems of internal control, including reporting arrangements
 - the prevention and detection of fraud and irregularity
 - standards of conduct and arrangements for the prevention and detection of corruption

Best Value and performance ▶

- The Public Finance and Accountability (Scotland) Act 2000 gives the Auditor General the right to initiate examinations into the economy, efficiency and effectiveness with which SLAB and other public bodies have used their resources to discharge their functions.
- In accordance with guidance issued by Audit Scotland, the Auditor General may require auditors to consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value.
- In accordance with guidance issued by Audit Scotland, auditors may be requested to participate in a performance audit, an examination of the implications of a particular topic for SLAB at a local level or a review of SLAB's response to national recommendations. In 2015-16 we have completed an assessment of workforce planning at SLAB.

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. Weaknesses or risks are only those that have come to our attention during our normal audit work in accordance with the Code and may not be all that exist.

Communication of the matters arising from our audit work does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.



2. Financial statements



Financial Statements

Introduction

Within this section of the report, we present our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) (ISA) 260.

We have not had to alter or change our audit approach, which we set out in our Audit Plan dated February 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt of sustainability report for review
- review of the final version of the Annual Report and Accounts
- obtaining and reviewing the management letter of representation, and
- updating our post balance sheet events review, to the date of signing the opinion.

Our Review of the Financial Statements

The draft financial statements were of good quality and we identified no significant errors or misstatements.

As part of our work on the financial statements we are required to review the narrative elements (including Chair's Foreword, Performance Report, Sustainability Report and the Accountability Report). In 2015-16 the Government Financial Reporting Manual (the FReM) was substantially changed to reflect new requirements for the narrative element of the Annual Report and Accounts. The new requirements include a Performance Report and an Accountability Report:

- The Performance Report is designed to provide a fair, balanced and understandable analysis of SLAB's performance.
- The Accountability Report should include a corporate governance report, remuneration and staff report and a parliamentary accountability and audit report.

We are required to review the narrative elements of the financial statements for compliance with required FReM disclosures, for consistency with other areas of the financial statements and our knowledge of SLAB.

We worked alongside SLAB to ensure the requirements of the FReM were included in the 2015-16 financial statements. While the draft financial statements did not include a finalised parliamentary accountability, this has been discussed with the client and appropriate amendments were made in the revised version.

We have concluded that the disclosures are consistent with our knowledge of SLAB and offer a balanced reflection on their activities in year.

Financial Statements Opinion

Our audit did not identify any adjustments to the primary financial statements, we have not identified any material errors in SLAB's financial statements.

Subject to the completion of the outstanding work described above, we expect to be able to issue an unqualified opinion on the financial statements of SLAB for the year ended 31 March 2016.

Regularity

We did not identify any instances of irregular expenditure or non-compliance with laws and regulations within the Scottish Legal Aid Board or Scottish Legal Aid Fund accounts.

Whole of Government Accounts

SLAB will remain below Audit Scotland's threshold for submitting audited Whole of Government Account returns. The threshold for audit is £350 million.

Our audit plan: a reminder

Scope of the Audit

Our audit plan outlined that we operate a risk based approach to the audit of the financial statements. We consider the inherent risks to SLAB and how these may result in a material misstatement in the accounts. At the planning stage we identified three areas with increased risk of material misstatement as outlined on pages 10 and 11.

Our audit approach requires increased audit focus on those areas where we have identified an increased risk of misstatement which includes consideration of the control environment for systems linked to those areas. Our substantive procedures include analytical review, confirmations with third parties and sample testing. Where we have identified a significant or other risk we require a higher level of testing to provide assurance. In performing those tests we have due regard to materiality as outlined below.

We recognise that planning is a continuous process and we monitor events at SLAB for any areas which may impact our planned audit work. In 2015-16 we did not identify any new areas of risk which would require us to change from the approach outlined in our Audit Plan.



Application of Materiality

As outlined in our audit plan we apply the concept of materiality in line with the requirements of ISA 320: Materiality in planning and performing an audit. The assessment and application of materiality is a matter of auditor judgement.

The primary focus of SLAB is to provide legal aid to those who cannot afford to pay their own legal costs. We believe expenditure is therefore the key consideration for the users of the financial statements and therefore we have used this as the benchmark upon which to base materiality.

Performance materiality is used to drive the level of testing conducted at SLAB. All balances or transactions that exceed the set level are subject to audit testing. This measure, along with the assessed level of inherent risk, is used to drive the level of sample testing.

In line with ISA 320 we also considered areas where account balances or disclosures for which misstatements lower than materiality could reasonably be expected to influence the economic decisions of users. We identified that cash and cash equivalents and disclosure of senior management salaries fall within this category.

We provide one opinion on the SLAB financial statements, and therefore use the same materiality figure for both the Scottish Legal Aid Board and the Scottish Legal Aid Fund.

In line with ISA 540 we reported in our audit plan an amount below which misstatements would be clearly trivial and would not be reported to the Audit and Compliance Committee. We have defined the amount below which misstatements would be clearly trivial to be £137k.

Audit findings against significant risks

Set out below is our response to the significant risks of material misstatement identified in the Audit Plan. There are two presumed significant risks which are applicable to all audits under auditing standards. However, as set out in our plan and below, we rebutted the risk around revenue recognition.

Risks identified in our Audit Plan	Work completed	Assurances and issues arising
<p>1 Estimation of Legal Aid provision</p> <p>SLAB estimates the value of unbilled live cases each year to arrive at the amounts disclosed within the accounts as a provision. The amount is an estimation of the expenditure required to settle any obligation at the end of the reporting period. In estimating the provision the organisation has adopted measurement techniques based upon latest data available.</p>	<p>We have completed the following procedures:</p> <ul style="list-style-type: none"> Updated our understanding of the accruals process underlying the calculation of the provision including walkthrough of the calculation process and controls in place to validate the calculation Reviewed the mathematical accuracy of the provision including agreement of amounts brought forward in prior years Reviewed the application of management judgement and the reasonableness of the provision based upon prior year experience. Agreed a sample of key inputs to underlying database. 	<p>Our audit work has confirmed that we are comfortable with both the process for setting the provision, and the provision itself.</p>
<p>2 Management override of controls</p> <p>Under ISA 240 there is a presumed risk that the risk of management override of controls is present in all entities.</p>	<p>We have completed the following procedures:</p> <ul style="list-style-type: none"> Reviewed accounting estimates, judgments and decisions made by management Tested journal entries Reviewed unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>



Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty

(ISA (UK&I) 315).

Audit findings against significant risks

Risks identified in our Audit Plan	Work completed	Assurances and issues arising
<p>3. The revenue cycle includes fraudulent transactions</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at SLAB, we determined the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition • The majority of revenues are derived from grant-in-aid from the Scottish Government. This is paid monthly and aligns to credit advice notes and year end confirmation supplied by Scottish Government. There is therefore limited opportunities to manipulate reported revenues • We have considered other revenue streams not derived from the Scottish Government such as contributions from assisted persons and recovered expenses. We do not consider there to be any incentive to manipulate these revenues given the cost of Legal Aid is fully recoverable from the Government. • The culture and ethical frameworks of central government, including SLAB, mean that all forms of fraud are seen as unacceptable. 	<p>Our work confirmed that revenue had been recognised appropriately in the financial statements.</p>

Source: External Audit Plan



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(ISA (UK&I) 315).

Audit findings against other identified risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Table 2: Reasonably possible risks identified at the planning stage

Transaction cycle	Description of risk	Work completed	Assurances gained and issues arising
Legal aid payments	Completeness of legal aid liabilities SLAB's main financial transactions relate to the payments of civil and criminal advice and assistance and legal aid. During 2014-15, net expenditure on the Scottish Legal Aid Fund was £129 million.	We gained assurance over the risk through: <ul style="list-style-type: none"> Review and walkthrough of processes and controls in operation for the payment of legal aid Analytical review of legal aid categories to confirm our understanding of trends Sample testing of expenditure Sample testing of year end transactions to test for unrecorded liabilities. 	Our audit work has not identified any misstatement of payments of legal aid Our sample testing confirmed legal aid payments agreed to a valid invoice or claim, and was appropriately authorised, with no issues noted. No issues were noted from our testing of payments after the year end to test for potential unrecorded liabilities.
Employee remuneration	Employee remuneration accruals understated Employee costs (excluding pensions) accounted for 69% of administrative expenditure in 2015-16. There are a large number of transactions processed throughout the year and SLAB relies on numerous controls to ensure that the employee costs are recorded correctly in the financial statements	We gained assurance over the risk through: <ul style="list-style-type: none"> Review and walkthrough of the processes and controls in operation for payment of staff Random sample testing of staff members to contract and recalculation of PAYE and NI contributions Analytical review of payroll expenses in comparison to expectations and investigate any significant variances Review of the relevant disclosures relating to staff costs within the financial statements. 	We gained sufficient assurance over payroll processes to conclude that there are no material misstatements.

Source: External Audit Plan



"Other risk areas are those which we have identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work".

Accounting estimates and significant judgements

Assessment

- Marginal accounting policy which could potentially attract attention from stakeholders
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with SLAB's financial statements.

Table 3: Accounting estimates and significant judgements

Accounting area	Summary of policy	Our comments	Our assessment
Revenue recognition	<ul style="list-style-type: none"> ● Funding: Scottish Government fund the payment of legal aid. Although there is an approved budget allocation, cash is drawn down on a needs basis. Grant in Aid received for employee, capital and running costs purposes and other Government grants are regarded as financing and are credited to the income and expenditure reserve. ● Other revenue: All non-funding income is recognised in the period it is receivable. 	<ul style="list-style-type: none"> ● The revenue recognition policies are appropriate under the Government Financial Reporting Manual. ● The disclosure in the draft accounts was found to be reasonable and in line with prior years. 	●
Pensions	<ul style="list-style-type: none"> ● SLAB offers a contributory defined benefit scheme to all employees. ● The Legal Aid (Scotland) Pension Scheme 1988 is an unfunded pension scheme providing benefits based on pensionable pay. 	<ul style="list-style-type: none"> ● SLAB accounts for its pension scheme in accordance with IAS 19: Employee Benefits, on a defined benefits basis. ● Our audit of the accounting for employee benefits includes an evaluation of Buck Consultants, as the Actuarial experts, consideration of the data underlying the actuarial report. It also includes the financial assumptions and the membership data provided to the actuary by SLAB. ● The actuaries make a number of assumptions in their calculations based on market conditions at the year end, including a discount rate to derive anticipated future liabilities and future salary increases. ● We asked our internal actuaries to review the assumptions adopted by SLAB in 2015-16. All actuarial assumptions were noted to be within a reasonable range, It was noted that long-term salary increase assumptions were relatively high at 4.2% (2% above inflation assumption) but still within a reasonable range. This is in line with other similar public sector schemes, but we would typically expect to see little if any uplift above and beyond the inflation figure. ● Pension liabilities have increased by £0.4m in the Fund, and reduced by £1.4m in the Board during 2015-16 and, in common with many public sector organisations, form a significant liability in the Statement of Financial Position. We therefore considered the pension liability as part of our assessment of going concern. 	●

Other areas of audit focus

Internal controls

We update our understanding of SLAB's operations and key financial control systems each year and tailor our audit strategy to focus on key risk areas.

Our audit included consideration of internal control relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. During our interim audit, we conducted testing on the following areas:

- Employee Remuneration
- Legal Aid Payments
- Operating Expenses
- IT control environment.

We did not identify any significant deficiencies or material weaknesses arising from our testing of the systems above. Overall, the results of our interim testing confirmed that there is a reasonable system of internal control covering key financial systems operated by SLAB.

Going Concern

Legal Aid Fund continues to show a negative financial position as a result of significant provisions for the value of unbilled live cases at the year end (£65.8m) and pension liabilities (£7.9m). As part of the audit, we have considered management's assessment of going concern.

SLAB receive an annual letter of comfort from the Scottish Government confirming that there are no plans to change the existing arrangements whereby they fund SLAB's administrative costs, including the provision for the net pension costs, through grant-in-aid. We have obtained and reviewed this years letter dated 26 July 2016 as part of our audit procedures.

Funding for 2015-16 has been included in the Scottish Government's estimates for the year, and take account of the liabilities expected to be met within one year.

SLAB has incorporated planned levels of funding based on the allocation from Scottish Government into their Operational Plan for 2016-17. A Corporate Plan covering the period 2014-17 has also been prepared.

We noted that work around the 2017-2020 plan will commence in late 2016. This is a relatively tight timescale and we note this as a key risk.

[See appendix B action point 1.](#)

Overall we conclude that it is appropriate for SLAB to prepare the financial statements on a going concern basis.

Related Parties

We are not aware of any related party transactions which have not been disclosed.

Sustainability reporting

The FReM requires central government bodies to include a section in their annual report which outlines the economic, social and environmental factors impacting the organisation. This is to be presented in a Sustainability Report.

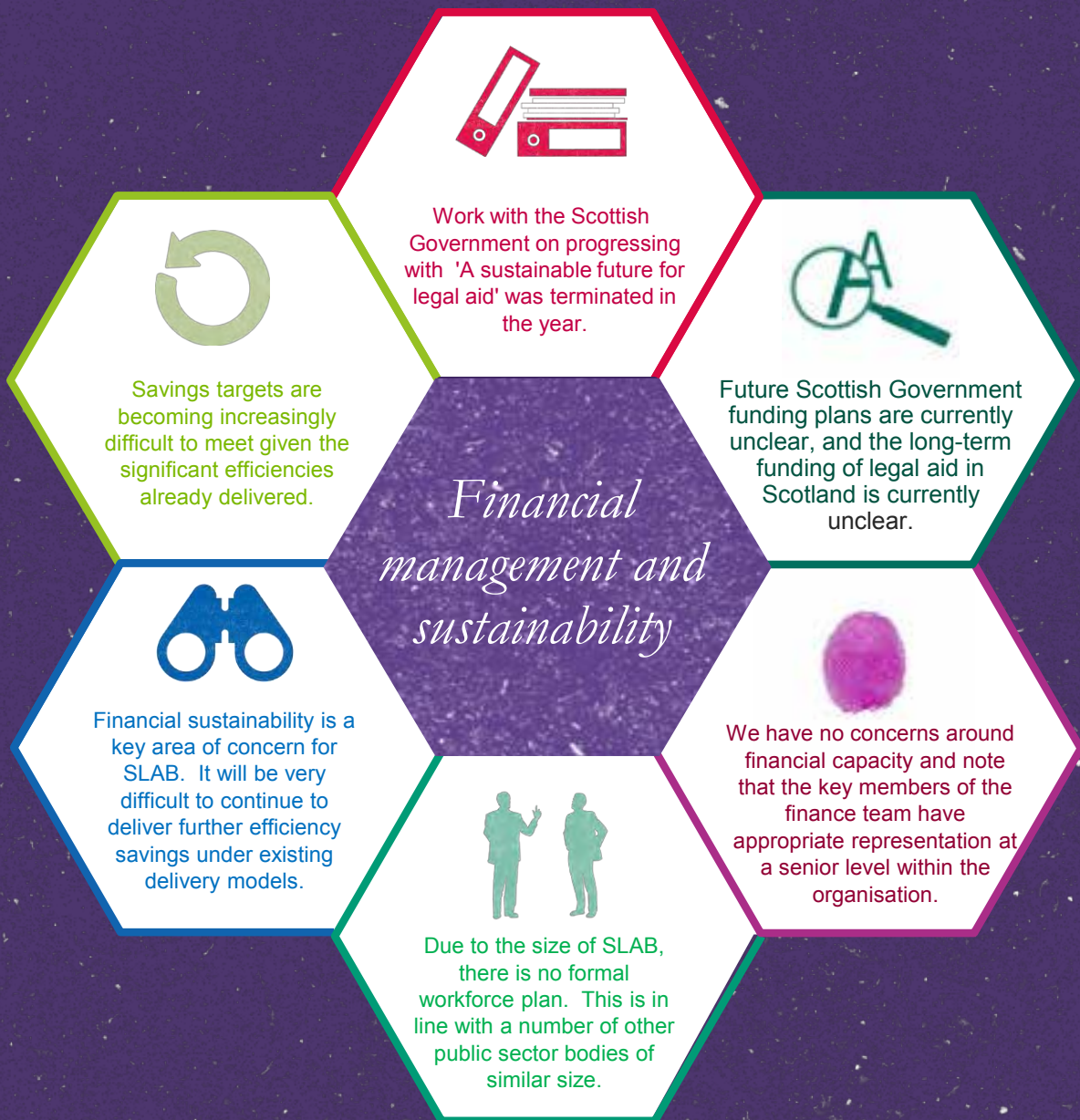
Public Sector Sustainability Reporting- Guidance on the Preparation of Annual Sustainability Reports was published by the Scottish Government and outlines the minimum reporting requirements covering areas such as:

- greenhouse gas emissions
- waste minimisation and management
- finite resources
- action on biodiversity
- sustainable procurement.

We note that the Sustainability report will be completed and separately published on the website. Management have advised this information will be available from August 2016.

[See appendix B action point 2.](#)

3. Financial Management and Sustainability



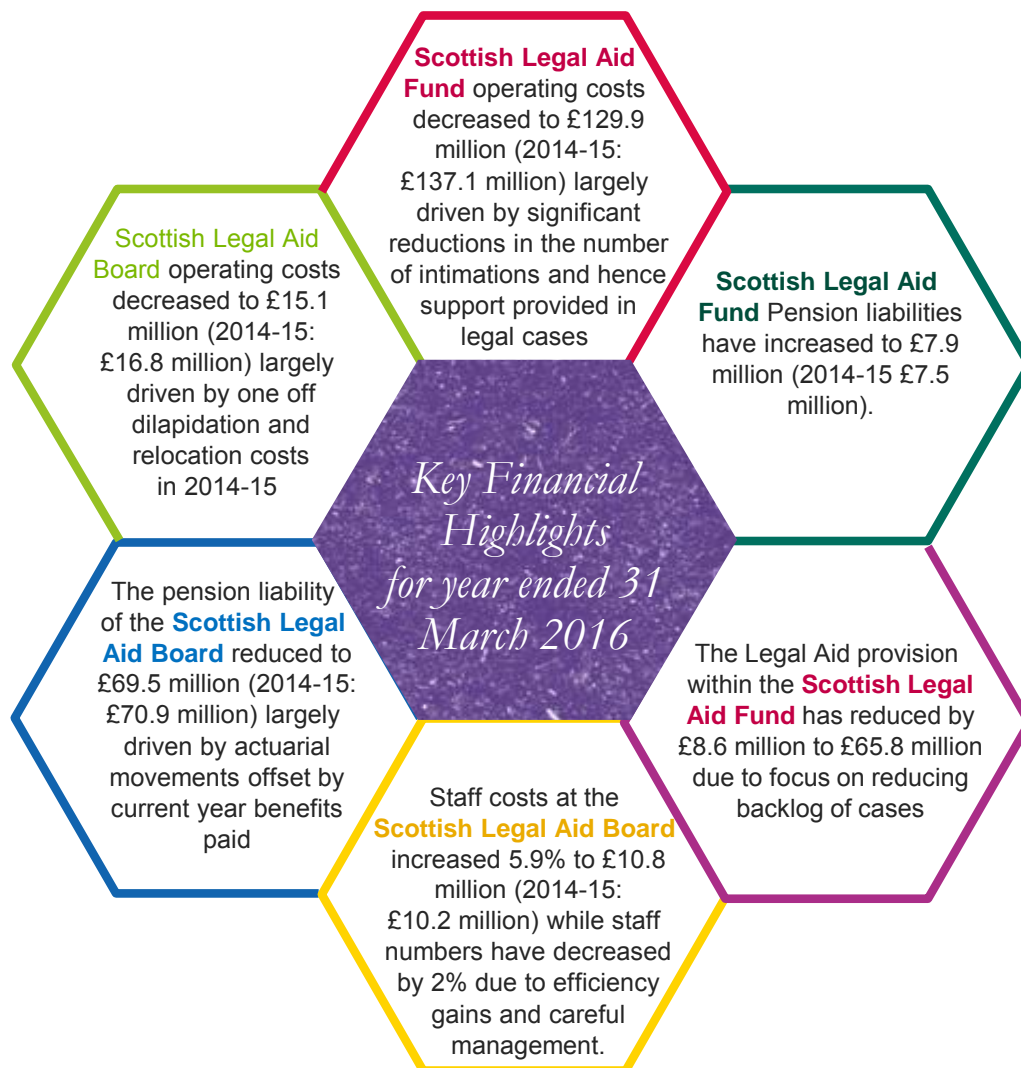
Financial Management

Introduction

Good financial management is underpinned by sound budgetary process and a robust control environment. In order to be financially sustainable SLAB will require good financial management in the short term but will also need to look forward to the medium and longer term to establish the ability to deliver services with declining available resources.

In this section we review and comment on the SLAB achievement of financial objectives and assess SLAB's financial management and sustainability arrangements.

Key Financial Statement highlights for the financial year ended 31 March 2016 were:



Financial Management

Income and Expenditure

Net operating expenditure for the Scottish Legal Aid Fund was down 5.3% (£7.2m) from 2014/15 to £129.9m in 2015-16. The overall decrease is primarily volume driven, with a trend or reducing numbers of intimations in criminal cases the single key driver. Key significant movements are highlighted below:

Civil legal aid (increased £3.7m)

This increase was primarily driven by balance sheet movements and is largely driven by the movement in provision.

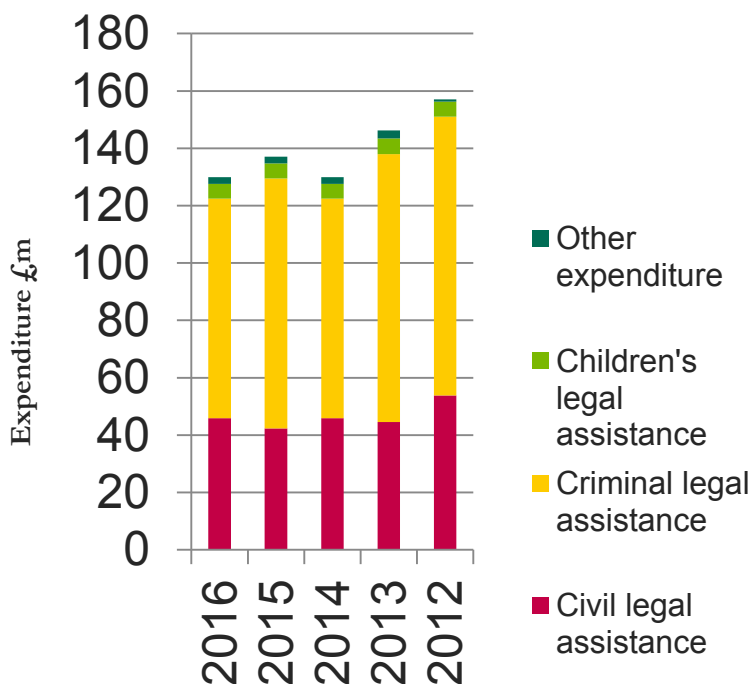
Criminal legal aid (decreased £9.1m) and criminal advice and assistance (decreased £1.7m)

Continuing trend of reduced number of intimations has led to a further reduction in the number of accounts paid.

Funding from the Scottish Government has increased marginally from £138.2m to £138.4m and is in line with the cash requirement in the year.

The Scottish Legal Aid Board saw a reduction of £1.7m in net operating costs, primarily driven by the non-recurring £1.0m dilapidations costs in relation to Drumsheugh Gardens and costs associated with the move to Thistle House.

Legal Aid Fund Expenditure Trends



Scottish Legal Aid Fund Financial Position

The Scottish Legal Aid Fund Statement of Financial Position reflects a negative reserve position driven by the unfunded pension liability and significant legal aid provisions. The overall reserves increased from -£66.4 million in 2014-15, to -£57.4million in 2015-16. This was primarily driven by an £8.6 million reduction in the legal aid provision due to a backlog of cases being cleared. Our review of the legal aid provision is explained within the Financial Statements section on page 10.

The pension provision remained relatively consistent year with the increase in obligations up £0.4 million driven by £0.8m current service costs and £0.2 million of finance charges offset to an extent by £0.6m of a gain related to a change in financial assumptions. Our review of the pension obligation is explained within the Financial Statements section on page 13.

	Year ended 31 March 2016 (£m)	Year ended 31 March 2015 (£m)
Non current assets	10.07	10.81
Current assets	8.77	9.05
Current liabilities	47.05	55.46
Total net assets	- 28.21	- 35.60
Non current liabilities	29.15	30.83
Total equity	- 57.36	- 66.43

Scottish Legal Aid Board Financial Position

The summary figures below highlight that the Scottish Legal Aid Boards financial position remains strong excluding the pension liability previously noted. The general fund balance now stands at a deficit of £63.3 million (surplus of £6.2m excluding the pension liability).

	Year ended 31 March 2016 (£m)	Year ended 31 March 2015 (£m)
Non current assets	5.29	5.17
Current assets	1.01	0.85
Current liabilities	0.14	0.67
Total net assets	6.16	5.35
Non current liabilities	69.49	70.87
Total equity	- 63.32	- 65.52

Financial Management

Financial Planning and Sustainability

We noted that work with the Scottish Government on 'A sustainable future for legal aid' was terminated. SLAB are now working with Scottish Government on forward business plans and streamlining of operations. Future Scottish Government funding plans are currently unclear, and the long-term funding of legal aid in Scotland is currently unclear.

[See appendix B action point 11](#)

Scottish Legal Aid Fund

While forecast costs are projected to increase to £143.0m (2015-16 £138.0m), funding is dropping to £126.1m (2015-16 £137.8m). Taking into account a small agreed movement in other Scottish Government budgets for grant funding, this leaves a proposed funding gap of £15.8m (11% of budgeted expenditure). Given the significant efficiency savings already delivered, it is becoming increasingly difficult to continue to deliver continued efficiencies under the existing delivery model. As noted later in the paper, the change in Chief Executive and Chairman are being used as an opportunity to challenge current approach to delivery to identify a more sustainable future for SLAB in light of the significant funding pressures.

The current financial plans include £3.1m of budgeted savings for 2016-17, with further savings of £3.7m included in 2017-18 and £4.0m in 2018-19. As noted above, there remains a significant funding gap and considerable uncertainty around future funding.

Scottish Legal Aid Board

The 2016-17 Grant in Aid budget has reduced to £11.4m (2015-16 £12.3m). The key driver of the reduction is £0.5m of dilapidations funding received in early 2015-16 in relation to the property move. A small surplus of £119k is currently projected for 2016-17 (2015-16 £125k surplus).

The final surplus for 2015-16 was £0.125m. As a result of both operational efficiencies and accommodation savings from the move to Thistle House, SLAB drew down £250k less funding than was budgeted by Scottish Government.

Workforce Planning

Costs of employment account for 62% of Scottish Legal Aid Fund expenditure excluding solicitor payments and 83% of Scottish Legal Aid Board total expenditure. With increasing financial pressures, there is a need for SLAB to have an effective and efficient workforce in order to maintain service delivery while meeting budget requirements. An appropriate skill mix is required to feed into the 'people' enabler in the 2014-17 corporate plan in order for the participation and progression targeted outcomes to be achieved.

SLAB does not currently have a formal workforce plan. It does have an HR Strategy for 2014-17 which is set at a high level and is aligned to the overall Corporate plan which covers the same period. Whilst it is not included within a formal workforce plan, workforce succession planning is considered by SLAB as part of the three year corporate plan processes.

Skill mix requirements and staff costs are considered as part of the three year corporate plan setting process however an analysis of expected required staff numbers is not part of this process.

SLAB should consider the implications of the changing workforce requirements and how this fits with the corporate plan targeted outcomes when preparing their annual budget .

[See appendix B action point 3](#)

Financial Management

Financial Capacity

The SLAB finance team currently operates within a lean staff structure. The key finance team members (Director of Corporate Services and Accounts and Financial Controller) are suitably qualified and experienced individuals in delivering the required financial skillset.

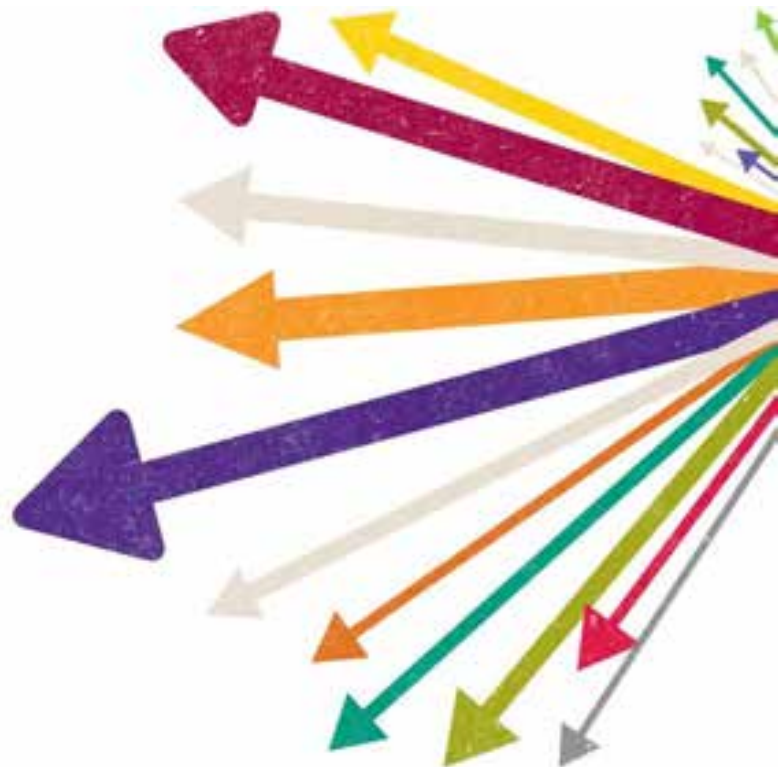
The Financial Controller is responsible for day-to-day financial management and the Director of Corporate Services and Accounts is responsible for the financial strategy of SLAB providing an appropriate balance of capacity and capability.

The Director of Corporate Services and Accounts is a member of the senior management team and is appropriately involved in the strategic financial management process.

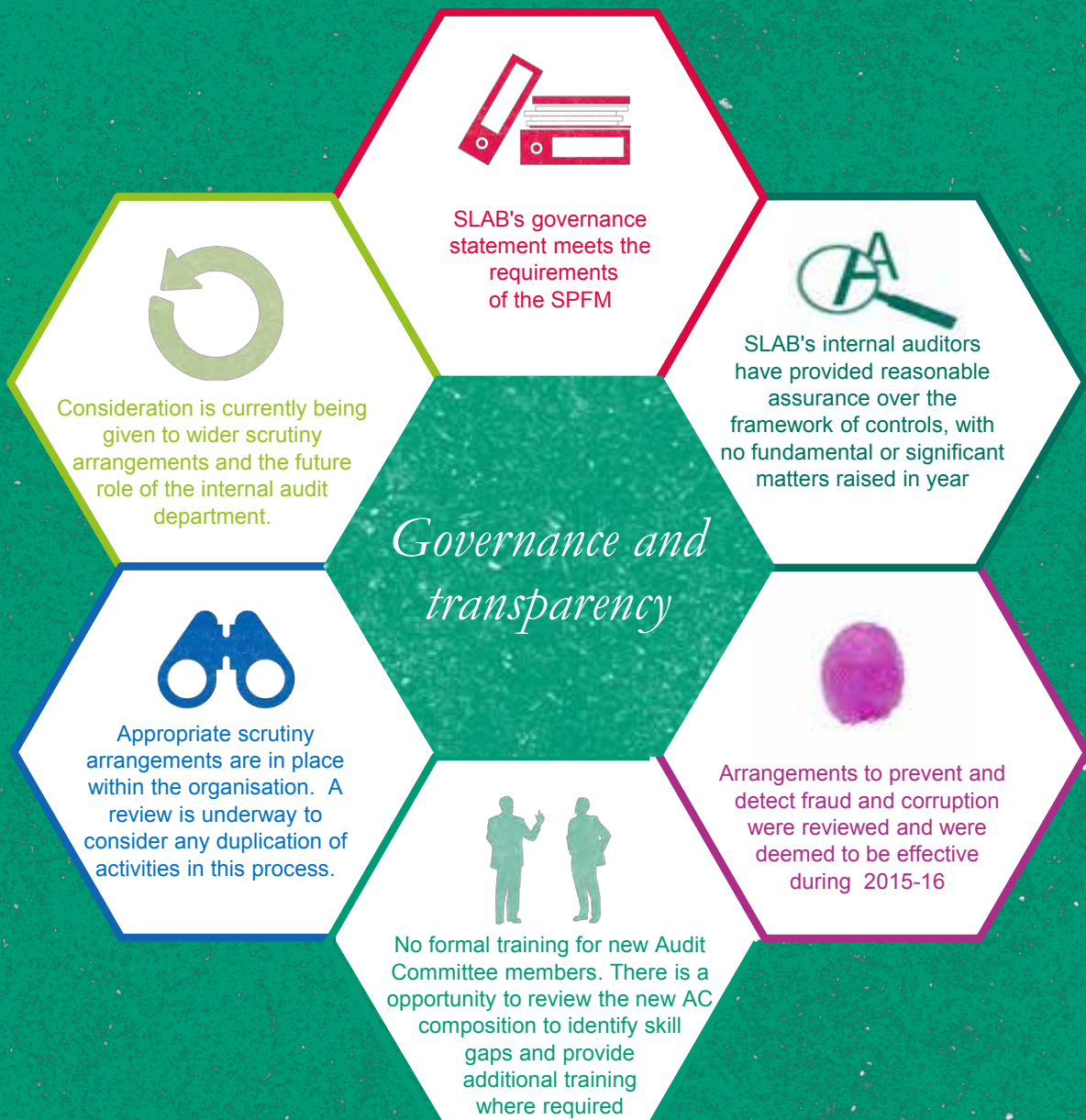
The Director of Corporate Services and Accounts and Financial Controller attend each Audit Committee meeting. They are also responsible for presenting the SLAB annual accounts to the Board. The Director of Corporate Services and Accounts attends each Audit Committee to respond to wider internal control and risk management findings.

The Director of Corporate Services and Accounts is consistently invited to attend all Board meetings when a finance paper is being presented. We are therefore satisfied that the Finance function has sufficient status at a strategic level within SLAB.

Overall, we have no concerns around the financial capacity and financial representation within SLAB.



4. Governance and transparency



Governance and transparency

Governance Statement

Under the Treasury's Financial Reporting Manual (FReM), SLAB must prepare a Governance Statement within the Annual Report and Financial Statements. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the Governance Statement as it forms a key summary of SLAB's governance ethos, and provides assurances around the achievement of the organisation's strategic objectives.

The SPFM does not prescribe a format for the Governance Statement, but sets out minimum reporting requirements and methodology for obtaining assurance for central government bodies. In line with the SPFM the Directors complete a self assessment on an annual basis using the Scottish Government Internal Control Checklist.

We have reviewed SLAB's Governance Statement as part of our audit procedures and concluded that disclosures are in line with the requirements of the FReM and guidance issued from Scottish Ministers, though the SPFM. The statement is sufficiently balanced, reflecting key aspects of SLAB's governance structure and key issues in year.

Loss of key personnel and transitional arrangements

SLAB experienced significant changes at Board level in the period. The Chairman of the Board retired and two other Board Members (including the Audit Committee convener) left at the end of their appointment period at 31 March 2016. Five new Board Members were appointed in April 2016, and a new Audit Committee convener was appointed.

The new Chair of the Board has met individually with each Director as part of his transition into this role.

Due to the appointment process it was not possible to provide a succession programme in advance of the start date for the new Audit Committee convener. The new chair of the Audit Committee had detailed discussions with the Director of Corporate Services and Accounts to work through a set of audit papers, and a detailed follow-up session on the July Audit Committee papers.

Induction sessions were held with all new Board Members. Consideration is currently being given to any training needs for new members of the Audit Committee based on experience.

Financial Reporting Manual (FReM) changes

There were a number of significant FReM changes in current year, and these particularly focused on the front-half narrative within the financial statements, with the introduction of the Performance Report and the Accountability Report. While requirements brought together a number of elements which were already included in existing narrative in various places, this change also provided an opportunity for management to carefully consider existing content. We note that management have used this opportunity to streamline upfront narrative, remove duplication and be clearer in the narrative. We note that this will be an ongoing area of focus for management.

Audit committee and scrutiny

The Board have delegated responsibility for scrutiny to the Audit Committee which meets on a quarterly basis. Grant Thornton are in attendance at every meeting and we have noted that scrutiny is exercised across a number of key areas including:

- internal audit work programme and reports
- external audit reports
- risk management
- whistle blowing and fraud
- legislative compliance.

We have not identified or raised any areas of concern over the functioning of the Committee in year.

The Audit Committee has historically had a strong legal background but a less consistent financial background. We note that the changes in Audit Committee membership and the new Chief Executive provide an excellent opportunity to consider the skill mix within the revised Audit Committee and arrange relevant training for any identified gaps.

[See appendix B action point 4](#)

Risk Management

The current risk management framework is routinely reviewed and amended as required. The last review took place in May 2013, and a fundamental review is planned for late 2016 in line with the planned change in the Risk Management Co-ordinator.

The key elements of the risk management strategy are:



The current considerations of wider governance arrangements provides a good opportunity to step back and revisit risk strategy, risk register, risk tolerance and the appetite to further streamline the corporate risk register to remove potential areas of duplication.

Internal Audit

The Head of Internal Audit retired in December 2015 and an experienced member of the team is currently in role as the Acting Head of Internal Audit. Future arrangements are currently under consideration and will be updated following the completion of the risk review in August 2016.

SLAB's internal audit team provide an annual opinion on the assurance framework. In 2015-16, they issued the following opinion:

"Based on this work, in Internal Audit's opinion, the Scottish Legal Aid Board has a generally sound framework of control which provides reasonable assurance regarding the effective and efficient achievement of SLAB's objectives. Accordingly, I am of the opinion that there is nothing which would warrant the Accountable Officer not signing the standard form of Governance Statement in SLAB's annual report and accounts for the year to 31 March 2016."

As set out in our audit plan we have reviewed the work of internal audit to inform our audit approach. However we did not place reliance on any internal audit work undertaken in 2015-16.

Internal audit completed work in line with their plan for 2015-16 and have provided detailed reports to the Audit and Compliance Committee.

We note that no fundamental or significant matters have been raised with only advisable recommendations noted. We note that 31 recommendations were noted as overdue as at May 2016. We recommend that processes are put in place to ensure the timely clearance and sign off on recommendations raised.

[See appendix B action point 5](#)

Work is underway to move to a risk based approach to internal audit. This is intended to be in place for 2017-18. As part of the Internal Audit review, we recommend that the role of internal audit is linked to wider assurance and compliance framework, to compliment other work performed and avoid duplication of activities.

[See appendix B action point 6](#)

2016-17 work is currently been completed based on directors assessment of risk. We recommend that the 2016-17 plan is formalised to ensure sufficient basis for the 2016-17 internal audit opinion, and also considers assurance over a 3 year period, and what work should be done annually, or once every 3 years for example.

[See appendix B action point 7](#)

Prevention and detection of fraud and irregularity

The integrity of public funds is a key concern for the organisation and for auditors. As external auditors, we are required to consider the arrangements made by management for the prevention and detection of fraud and irregularities.

Investigations Teams: Compliance and solicitors

The Compliance and Solicitors Investigations Team respond to allegations, and conduct a risk based audit of solicitors who are registered to provide legal aid. During 2015-16, the team undertook 154 compliance audit (up on 77 in 2014/15 due to increase in staff), resulting in reimbursements totaling £166k with a further £194k outstanding. A number of cases of solicitor investigations have been referred to the Crown Office, and there are currently active investigations which may result in further prosecutions.

The AP Investigations Team

The AP Investigations Team conduct financial verification checks on legal aid claimants, and investigate any financial representations relating to:

- undisclosed income
- undisclosed capital
- an undisclosed partner.

During 2015-16, the team responded to 615 (2014-15 659) referrals for investigation. The number of cases reported to the Crown Office decreased from 7 in 2014-15 to 6 during 2015-16. However, in 42% (2014-15: 38%) of cases closed in 2015-16, some form of action, including termination or warning letter, was required as a result of the investigation work. SLAB estimate that this work resulted in £625k (2014-15 £517k) in savings to the Legal Aid Fund.

National Fraud Initiative

SLAB also participates in Audit Scotland's National Fraud Initiative. We followed up on the 2014-15 cycle as part of our audit process. We note that good progress has been made and all 81 matches were closed off by late 2015. One small duplicate payment error of £1,500 was noted and followed up for recovery.

From our work in 2015-16 we have concluded that SLAB has effective arrangements in place for the prevention and detection of fraud.

Arrangements for maintaining Standards of Conduct and detection of corruption.

In line with the Ethical Standards in Public Life etc (Scotland) Act 2000, SLAB has established a Code of Conduct for Board Members, which was approved by Scottish Ministers. A register of interests is available for each Board member on SLAB's website, and declarations of interest are made at each Board meeting.

In accordance with the Code of Audit Practice we have reviewed the arrangements in place for the prevention and detection of corruption and concluded that SLAB has appropriate arrangements in place. We are not aware of any specific issues that we need to record in this report.



5. Best Value and Performance



Best value and performance

Arrangements to deliver best value

All public sector Accountable Officers have a duty to secure Best Value in public services as set out by the SPFM. Best value is a key consideration in the strategic planning process.

Internal audit completed a review around best value in the year. The draft report was issued on 23 March 2016 which reported that overall for annual assurance purposes the controls governing Best Value are good. It made 4 advisable recommendations.

Changes in leadership team

There was a change of Chief Executive and Accountable officer in the year, with the retirement of the Chief Executive in August 2015 and the Director of Policy and Development and Deputy Chief Executive promoted to the role.

A new Director of Strategic Development was appointed in year into the vacancy arising from the promotion of the Director of Policy and Development.

The new Chief Executive has taken time to re-assess SLAB as an organisation, and its internal control environment. The Leadership Team consists of the Chief Executive, the Director of Operations, the Director of Corporate Services and Accounts, the Director of Strategic Development and the Principal Legal Adviser.

In his new role, the Chief Executive is looking at SLAB's internal controls, focused on compliance arrangements and understanding the value and overall assurance from each activity. He is also focused on reviewing and updating SLAB performance framework and Key Performance Indicators.

The retirement of the Chief Executive and Chairman have provided an opportunity for SLAB to re-look at its culture, future strategic vision and key operations from a new and fresh perspective.

We recommend that SLAB use this opportunity to re-engage with stakeholders and look to other organisations for what they do well, and what SLAB can learn from.

[See appendix B action point 8](#)

Outcome agreements

SLAB has eight key performance indicators across each key area of work. The indicators are set by Scottish ministers and reviewed each year.

These headline indicators combine underlying targets on accuracy and timeliness for each major legal aid process. Full performance reports against all targets are provided to SLAB on a quarterly basis. During 2015-16, SLAB maintained strong performance from 2014-15.

As the table below highlights, SLAB continues to achieve each target, despite the significant level of efficiencies and savings that have been made within the administrative budget.

Indicator	Target	2014-15 Actual	2015-16 Actual	Achieved
Criminal applications	99%	100%	100%	YES
Civil applications	97%	99%	99%	YES
Children's applications	98%	100%	100%	YES
Advice and assistance	98%	100%	100%	YES
Criminal accounts	97%	99%	99%	YES
Civil accounts	97%	98%	97%	YES
Children's accounts	97%	98%	98%	YES
A&A accounts	97%	99%	99%	YES

It is currently unclear what the financial cost of meeting (and exceeding) the targets above is. SLAB should consider the financial cost against compliance with the KPI's above, and consider the financial impact of meeting and exceeding these targets.

[See appendix B action point 9](#)

Appendices

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Appendix A- Misstatements and adjustments

Adjustment type	Value £000s	Account balance	Recommendation
Adjusted			
No adjusted misstatements			
Unadjusted			
Creditor disclosure reallocation arising from principal sums account.	145 (145)	Principal Sums Creditor Scottish Government Creditor	Upon reconciliation of the principal sums balance, a total of £145,000 was identified that related to interest elements that there is no obligation to repay to third parties. No agreement has yet been made with Scottish Government in relation to distribution of these funds therefore we note that it is appropriate to note these as a Scottish Government creditor.
Bank disclosure reallocation arising from principal sums account.	145 (145)	Cash at bank and in hand Principal Sums Cash	This is the cash adjustment required as a result of the above adjustment
Net impact	nil		

Appendix B- Action Plan

	Issue and Risk	Priority	Recommendation
1.	<p>2017-2020 plan</p> <p>We note that the work on this plan will commence in late 2016, which is a relatively tight timescale.</p> <p>Risk: There is a risk that SLAB may not have the strategic plan finalised ahead of the commencement date with a key impact on ability to deliver against the strategic plan in the short term.</p>	<p>Medium</p>	<p>SLAB should seek to progress the 2017-2020 action plan at the earliest opportunity to ensure the strategic plan is in place ahead of the 2017-18 financial year commencing.</p> <p>Management Response:</p> <p>The process of reviewing the current purpose and strategic objectives which we started at the beginning of 2016 and should be concluded in the autumn is, in effect, the formulation of the 2017-20 corporate plan.</p> <p><i>(Responsible officer Anne Dickson, target date Autumn 2016)</i></p> <p>Note that this is when SLAB will have agreed the strategic objectives for the 2017-20 Plan. These will then inform the prioritisation of more detailed deliverables for the plan itself, which will be agreed by the Board in early 2017 i.e. well in time to be in place for the start of FY 2017.</p>
2	<p>Workforce Planning</p> <p>Skill mix requirements and staff costs are considered as part of the corporate plan setting process however an analysis of expected required staff numbers to support is not part of this process.</p> <p>Risk: There is a risk that SLAB are not fully considering the impact of required staff numbers in regards to the corporate plan targeted outcomes during the annual budget setting process.</p>	<p>Low</p>	<p>SLAB should consider the implications of the changing workforce requirements and how this fits with the corporate plan targeted outcomes when preparing their annual budget.</p> <p>Management Response:</p> <p>Within our business plan we are implementing a people strategy which will include workforce planning. This will form a key element in our delivery of future streamlining and Corporate and Business plans.</p> <p><i>(Responsible officer Director of Corporate Services and Accounts, target date provisional 2017)</i></p>
3	<p>Sustainability report</p> <p>We note that this document will be separately published on the SLAB website.</p> <p>Risk: That the document is not completed on time or does not meet the requirements.</p>	<p>Low</p>	<p>We note that this work is currently outstanding for completion.</p> <p>Management Response:</p> <p>This report will be produced and published on our website by the end of August 2016 in line with the Annual Accounts commentary.</p> <p><i>(Responsible officer Director of Corporate Services and Accounts, target date August 2016)</i></p>

	Issue and Risk	Priority	Recommendation
4	<p>Audit Committee skills mix</p> <p>The Audit Committee has historically had a strong legal background but a less consistent financial background. We see this transition as an excellent opportunity to consider skill mix and any gaps and training needs. While some training has already been provided, there is scope for further development to maximise the scrutiny and effectiveness of the committee moving forward.</p> <p>Risk: That there is not a sufficient depth and breadth in the revised Audit Committee to provide a suitable level of scrutiny and challenge.</p>	Medium	<p>We recommend that SLAB should consider the skill mix within the revised Audit Committee and arrange relevant training for any identified gaps.</p> <p>Management Response:</p> <p>Following the recent recruitment of Board members and the subsequent Audit Committee we have a good mix of skills including the new convener who is an accountant and an investment analyst. Induction training has been undertaken along with a strategic away day and some additional specific training will be considered specific to Audit committee.</p> <p><i>(Responsible officer Director of Corporate Services and Accounts, target date late Autumn 2016)</i></p>
5	<p>Implementation of Internal Audit Recommendations</p> <p>We note that there were 31 internal audit recommendations that were noted as overdue as at the May 2016 meeting.</p> <p>Risk: There is a risk that SLAB are not appropriately responding to points raised within the internal audit reviews and clearing these on a timely basis, exposing the organisation to continued risk.</p>	Low	<p>SLAB should ensure that appropriate arrangements are put in place to ensure that internal audit recommendations are responded to and cleared on a timely basis.</p> <p>Management Response:</p> <p>The Leadership team have recently reviewed the outstanding list and have asked audit to consider the relevance and validity of all of those recommendations and will follow up thereafter.</p> <p><i>Responsible officer Director of Corporate Services and Accounts, target date September 2016)</i></p>
6	<p>Internal Audit – future arrangements</p> <p>We note that future arrangements are currently being considered, with view to moving to more of a risk based approach. We note that consideration should be given to the role of internal audit in the wider assurance and compliance framework.</p> <p>Risk: There is a risk of duplication of effort and not having sufficient breadth of coverage around key specific areas of risk.</p>	Medium	<p>Work is underway to move to a risk based approach to internal audit. This is intended to be in place for 2017-18. As part of the Internal Audit review, we recommend that the role of internal audit is linked to wider assurance and compliance framework, to compliment other work performed and avoid duplication of activities.</p> <p>Management Response:</p> <p>Following the planned risk review which is due to comment later this year audit will align its plan to the new risk profile along with specific work as designated by directors for their areas of responsibility, with the full support of the Audit Committee.</p> <p><i>Responsible officer Director of Corporate Services and Accounts, target date December 2016)</i></p>

	Issue and Risk	Priority	Recommendation
7	<p>Internal Audit Plan 2016/17</p> <p>We note that the 2016-17 audit plan is not formalised during the transitional period ahead of the risk based approach being implemented.</p> <p>Risk: There is a risk that key areas of risk within the organisation are not covered, and there will not be sufficient evidence on which to base the 2016-17 internal audit opinion.</p>	<p>Medium</p>	<p>2016-17 work is currently been completed based on directors assessment of risk. We recommend that the 2016-17 plan is formalised to ensure sufficient basis for the 2016-17 internal audit opinion.</p> <p>Management Response:</p> <p>We have implemented quarter 1 and are working on quarter 2 audits and already have a skeleton plan for the remainder of the year; however this will depend on the outcome of the risk review.</p> <p><i>Responsible officer Director of Corporate Services and Accounts, target date December 2016)</i></p> <p>Note that management have agreed to share the interim audit plan for Q2 (and possibly Q3) at the next Audit Committee (September 2016), in the knowledge that Q3 may well be subject to change as a result of the risk review.</p>
8	<p>Consider financial impact of KPI performance</p> <p>It is currently unclear what the financial cost of meeting (and exceeding) the targets above is.</p> <p>Risk: That a disproportionate level of funding is directed to meeting (and exceeding) existing targets that could be better used elsewhere in the organisation.</p>		<p>SLAB should consider the financial cost against compliance with the KPI's above, and consider the financial impact of meeting and exceeding these targets.</p> <p>Management Response:</p> <p>We have already introduced the plan to move to a balanced scorecard approach and away from the current KPI structure for 2017/18. This has been approved by the Board in February 2016. This year will see this work progress and a pilot will be introduced later this year. This will help support the continued move towards a more customer focused approach.</p> <p><i>Responsible officer Director of Corporate Services and Accounts/ Leadership team, target date April 2017)</i></p>

	Issue and Risk	Priority	Recommendation
9	<p>Value of fresh perspective</p> <p>The retirement of the Chief Executive and Chairman have provided an opportunity for SLAB to re-look at it's culture, future strategic vision and key operations from a new and fresh perspective.</p> <p>Risk: That SLAB do not take the opportunity to fundamentally challenge the future direction of the organisation.</p>	<p>Medium</p>	<p>We recommend that SLAB use this opportunity to re-engage with stakeholders and look to other organisations for what they do well, and what SLAB can learn from.</p> <p>Management Response:</p> <p>The Chief Executive has already commenced the process of moving in this direction. There are a number of areas of the current business plan (e.g. relationships with profession and regulators, streamlining, complaints, people strategy) which have as a key concept reviewing the way in which we interact and manage both the users of the system and our key stakeholders.</p> <p><i>Responsible officer Chief Executive/ Leadership team, target date ongoing)</i></p> <p>Note that the review of purpose and strategic objectives, risk review, internal audit review and performance management review are all part of this and will feed into the 2017-20 Corporate Plan and will fit with the timescales for 1, 2, 6,7 AND 8. They are all aspects of fresh perspective leading to organisational change.</p>
10	<p>Principal sums balance</p> <p>We note that an interest amount of £145k has been identified within the principal sums balance, and that this amount will not be repayable to individuals. There is currently no agreement in place with Scottish Government for distribution of these funds.</p> <p>Risk: That amounts currently held may have to be repaid at a future date to Scottish Government.</p>	<p>Low</p>	<p>We recommend that discussions are finalised with Scottish Government over the distribution of these funds.</p> <p>Management Response:</p> <p>We have now reconciled this balance and will now do this every three years. We will enter into discussions with Scottish Government on the current balance and agree next steps.</p> <p><i>Responsible officer Director of Corporate Services and Accounts, target date September 2016)</i></p>
11	<p>Long term financial sustainability</p> <p>Future Scottish Government funding plans are currently unclear, and the long-term funding of legal aid in Scotland is currently unclear.</p> <p>Risk: That appropriate long-term financial plans are not in place or supported by appropriate funding commitments to deliver against key organisational outcomes.</p>	<p>High</p>	<p>We recommend that concerns are raised with Scottish Government around long –term funding for legal aid, and delays in finalising these matters</p> <p>Management Response:</p> <p>This is an ongoing topic and is regularly discussed at the Finance accountability meeting held monthly with Scottish Government. The Justice sponsor division are highly aware of our funding situation.</p> <p><i>Responsible officer Chief Executive/ Leadership team target date ongoing)</i></p>

Appendix C - Follow-up of prior year actions

Set out below is our follow-up of the recommendations we made as part of our report on the 2014-15 audit:

Recommendation	Priority	Action taken
<p>1 <i>Financial Reporting Manual Changes</i></p> <p>The Finance Team should review the structure and content of the Statement of Accounts, in consultation with key stakeholders such as the incoming Chief Executive and Chair of the Audit Committee.</p>	<p>Medium</p>	<p>Implemented</p> <p>Structure and contents updated and revised draft is in line with requirements. Key stakeholders taken through revisions in detail.</p>
<p>2 <i>Principal Sums account</i></p> <p>SLAB should fully reconcile the Principal Sums account during 2015-16, and identify an appropriate schedule for completing full reconciliations.</p>	<p>Low</p>	<p>Implemented</p> <p>This reconciliation has been completed as at 31 March 2016, with a £145,000 amount noted in relation to interest amounts which will not have to be repaid. Discussions are ongoing with Scottish Government in relation to the distribution of these funds.</p> <p>See appendix B action point 10</p>
<p>3 <i>Key changes in board members</i></p> <p>SLAB should develop a succession programme for a new Chair of the Audit Committee to ensure that training or other requirements can be identified and delivered prior to handover.</p>	<p>Low</p>	<p>Partially implemented</p> <p>Due to the appointment process it was not possible to provide a succession programme in advance of the start date for the new chair.</p> <p>The new chair of the Audit Committee had detailed discussions with the Director of Corporate Services and Accounts to work through a set of audit papers, and a detailed follow-up session on the July Audit Committee papers.</p> <p>Induction sessions were held with all new Board Members.</p>

Appendix D- Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
External audit	40,880	40,880
Total audit fees	40,880	40,880

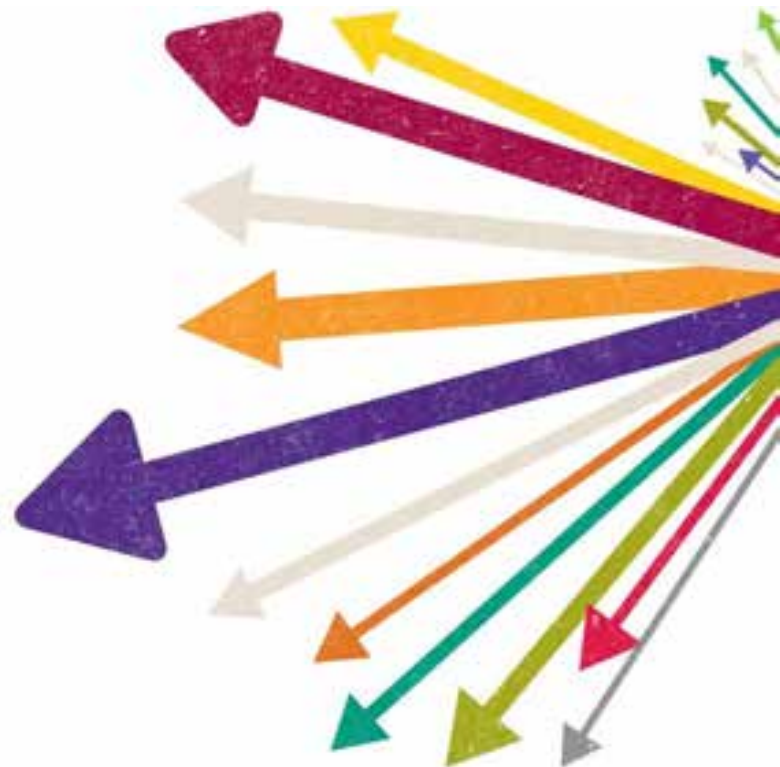
Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.



Appendix E - Final Independent Auditor's Report

Independent auditor's report to the members of the Scottish Legal Aid Board, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the Scottish Legal Aid Board for the year ended 31 March 2016 under the Legal Aid (Scotland) Act 1986. The financial statements comprise Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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 2015-16 Government Financial Reporting Manual (the 2015-16 FReM).

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities the 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. Our 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 us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are 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, we read all the financial and non-financial information in the Annual Report and Accounts 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 us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2016 and of its net operating cost 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 FReM; and
- have been prepared in accordance with the requirements of section 5 (1) of the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers

Opinion on regularity

In our 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 the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

Joanne Brown, (for and on behalf of Grant Thornton UK LLP)

7 Exchange Crescent

Edinburgh

EH3 8AN

July 2016



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