

# Scottish Legal Aid Board

Interim Audit Report 2016/17



 AUDIT SCOTLAND

Prepared for Scottish Legal Aid Board

May 2017

## Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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# Audit findings

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## Introduction

**1.** This report contains a summary of the key issues identified during the interim audit work carried out at Scottish Legal Aid Board (SLAB). This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the financial statements. We will use the results of this testing to determine our approach during the 2016/17 financial statements audit.

**2.** Our responsibilities under the Code of Audit Practice require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

**3.** Also, under the Code of Audit Practice (2016) we have carried out work on the wider dimension audit. This focussed on governance and transparency and the adequacy of Internal Audit.

## Conclusion

**4.** No significant key control weaknesses were identified from our interim audit work. Some minor issues were identified which are summarised in [Exhibit 1](#) overleaf. This will enable us to take planned assurance for our audit of the 2016/17 financial statements.

**5.** In terms our wider dimension audit work we concluded that appropriate arrangements were in place although with some areas for improvement as set out in [Exhibit 1](#).

## Work summary

**6.** Our 2016/17 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, our testing covered budget monitoring and control, feeder system reconciliations and controls for preventing and detecting fraud in areas such as grants.



Bank reconciliations



Payroll controls



IT access



Budgets

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7. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach will enable us in future to place reliance on previous years' audit work where controls remain unchanged and no significant weaknesses had been identified. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

8. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

## Risks identified

9. The key control and wider dimension risks identified during the interim audit are detailed in [Exhibit 1](#). These findings will inform our approach to the financial statements audit where relevant.

10. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to SLAB.

## Exhibit 1

### Key findings and action plan 2016/17

Issue identified	Management response	Responsible officer and target date
<b>Audit findings</b>		
<p><b>Debt management system reconciliations</b></p> <p>Monthly reconciliations between Ash (debt management system), PSUMS and the General Ledger are carried out but are not reviewed. This is a new process that SLAB have been trialling this year.</p> <p><b>There is a risk that errors are not picked up and resolved in a timely manner.</b></p>	<p>Monthly reconciliations are being carried out in a timely manner and there are no issues or unreconciled amounts. Reconciliations will be formally reviewed and countersigned going forward.</p>	<p>Financial Controller</p> <p>30 June 2017</p>
<p><b>Accounts payable reconciliation</b></p> <p>Differences on the fund account are not fully investigated until the year end meaning that there could be issues that are not identified in a timely manner. Also, while the reconciliations are checked by another member of staff, there is no official sign off to provide evidence of review.</p> <p><b>There is a risk that errors are not picked up and resolved in a timely manner.</b></p>	<p>These reconciliations are under review to determine the best frequency. A formal review sign-off will be introduced.</p>	<p>Financial Controller</p> <p>30 June 2017</p>

Issue identified	Management response	Responsible officer and target date
<p><b>Payroll validation</b></p> <p>There is no periodic exercise carried out to validate the existence of employees on the payroll. While the controls in place around the processing of starters and leavers will go some way to mitigating the risk of this happening, it would still be good practice to have a process in place where the existence of employees is periodically evaluated e.g by sending a staff listing to department heads to confirm employees in their department.</p> <p><b>There is a risk that payments are made to staff who have left the organisation.</b></p>	<p>There are periodic reconciliations and checks throughout the year by HR, Finance and Audit. HR conduct a reconciliation between each managers budget submission and payroll. Internal Audit's annual processes include validating a random payroll sample back to individual employees. HR are also very alert to employees leaving, which works well given our relatively small size.</p> <p>We will review our procedures to identify whether the current level of checking and reconciliation is sufficient.</p>	<p>HR Manager 30 June 2017</p>
<p><b>Wider dimension issues and risks</b></p>		
<p><b>Governance and transparency</b></p> <p>Internal Audit's reports are not taken to the audit committee for review and consideration. Only the resulting recommendations are considered by the committee.</p> <p><b>There is a risk that scrutiny activity is ineffective and opportunities for improvement are not being identified.</b></p>	<p>Internal Audit reports have always been available to members of the audit committee, where requested. The previous convenor was comfortable with summary details being reported. The Audit Committee will be asked at the next meeting to consider whether they want full copies of reports to be tabled for consideration.</p>	<p>Audit Committee 24 July 2017</p>
<p><b>Adequacy of Internal Audit</b></p> <p>There are no formal training policies in place mainly due to the small size of the team. However there is an HR budget available for any training that staff deem appropriate.</p> <p><b>There is a risk that without a formal training plan in place the skills and knowledge of the team are not up to date.</b></p>	<p>A formal training plan will be put in place for 2017-18. All IA staff are meeting their annual CPD requirements often supported by SLAB's training function.</p>	<p>Acting Head of Internal Audit 30 June 2017</p>

Source: Audit Scotland

11. All our outputs and any matters of public interest will be published on our website: [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

# Scottish Legal Aid Board

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