

Annual Audit Plan

Scottish Legal Aid Board

Year ending 31 March 2024



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This document is to be regarded as confidential to the Scottish Legal Aid Board. It has been prepared for the sole use of the Audit Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit Committee
Scottish Legal Aid Board
Thistle House
91 Haymarket Terrace
Edinburgh
EH12 5HE

31 March 2024

Dear Audit Committee Members

Annual Audit Plan – Year ending 31 March 2024

We are pleased to present our Annual Audit Plan for the Scottish Legal Aid Board for the year ending 31 March 2024. The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors. We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Scottish Legal Aid Board which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

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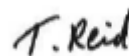
We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: 839 8356 73

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With that in mind, we see this document, which has been prepared following our initial planning discussions with management, as being the basis for a discussion around our audit approach, any questions, concerns or input you may have on our approach or role as auditor. This document also contains an appendix that outlines our key communications with you during the course of the audit and forthcoming accounting issues and other issues that may be of interest to you.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on +44 7816 354 994

Yours faithfully



Tom Reid

Mazars LLP

01



Section 01:

**Engagement and
responsibilities summary**

1. Engagement and responsibilities summary




Overview of engagement

We are appointed to perform the external audit of the Scottish Legal Aid Board (SLAB) for the year to 31 March 2024. The scope of our engagement is set out in the Code of Audit Practice, issued by the Auditor General and the Accounts Commission available from the Audit Scotland website: [Code of audit practice | Audit Scotland \(audit-scotland.gov.uk\)](#). Our responsibilities are principally derived from the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice, as outlined below and overleaf.

Engagement area	Responsibilities
 Audit opinion	<p>We are responsible for forming and expressing an independent opinion on whether the financial statements are prepared, in all material respects, in accordance with all applicable statutory requirements. Our audit does not relieve management or the Audit Committee, as Those Charged With Governance, of their responsibilities.</p> <p>Management is responsible for the assessment of whether it is appropriate for SLAB to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:</p> <ul style="list-style-type: none">a) whether a material uncertainty related to going concern exists; andb) consider the appropriateness of SLAB's use of the going concern basis of accounting in the preparation of the financial statements.
 Internal control	<p>Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SLAB's internal control.</p>

1. Engagement and responsibilities summary

Overview of engagement (continued)

Engagement area	Responsibilities
 Fraud	<p>The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.</p> <p>As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management and internal audit as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.</p>
 Wider reporting	<p>We report to the National Audit Office on the consistency of SLAB's financial statements with its Whole of Government Accounts (WGA) submission. The level of auditor assurance required depends on monetary thresholds set by HM Treasury.</p>
 Wider scope and Best Value	<p>We are also responsible for reviewing and reporting on the wider scope arrangements that SLAB has in place and its arrangements to secure Best Value. We discuss our approach to wider scope and Best Value work further in section 5 of this report.</p>

02

Section 02:

Your audit engagement team

2. Your audit engagement team

Below is your audit engagement team and their contact details.



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Engagement Partner
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Ishana Singh
Engagement Manager
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03

Section 03:

Audit scope, approach and timeline

3. Audit scope, approach and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

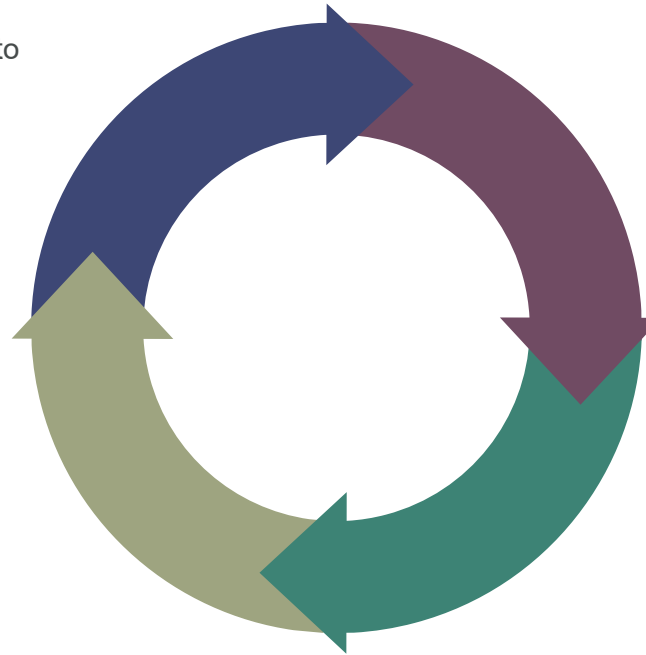
3. Audit scope, approach and timeline

Planning and Risk Assessment (February 2024)

- Planning visit and developing our understanding of SLAB
- Initial opinion and wider scope risk assessments
- Considering proposed accounting treatments and accounting policies
- Developing the audit strategy and planning the audit work to be performed
- Agreeing timetable and deadlines
- Risk assessment analytical procedures
- Determination of materiality

Completion (August 2024)

- Agreeing content of letter of representation
- Reporting to the Audit Committee
- Reviewing subsequent events
- Signing the independent auditor's report



Interim (February to March 2024)

- Documenting systems and controls
- Performing walkthroughs
- Interim controls testing including tests of IT general controls
- Early substantive testing of transactions
- Reassessment of audit plan and revision if necessary
- Wider Scope Risk Assessment

Fieldwork (June to July 2024)

- Receiving and reviewing unaudited annual report and accounts
- Reassessment of audit plan and revision if necessary
- Delivering our audit strategy starting with significant risks and high risk areas including detailed testing of transactions, account balances and disclosures
- Communicating progress and issues
- Clearance meeting
- Final review and disclosure checklist of financial statements
- Final engagement director review

3. Audit scope, approach and timeline

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work as part of our ongoing assessment of SLAB's control environment.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the client that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by SLAB and our planned audit approach.

Item of account	Service organisation	Audit approach
Pension scheme liability	Scottish Public Pensions Agency	Review controls operated by the Scottish Public Pensions Agency in administering the Legal Aid (Scotland) Pension Scheme.

Management's and our experts

Management makes use of experts in specific areas when preparing SLAB's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Audit approach
Pension scheme liability	Buck Consultants	We will use Mazars actuarial team to provide a view on the reasonableness of the assumptions used.
Property, plant, and equipment	District Valuers of the Valuation Office Agency	We will consider any relevant information which is available from third parties.

04

Section 04:

**Significant risks and other key
judgement areas**

4. Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of SLAB. We have summarised our audit response to these risks on the next page.



4. Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●	●	○	<p>We plan to address the management override of controls risk by:</p> <ul style="list-style-type: none"> • reviewing the key areas within the financial statements where management has used judgement and estimation techniques and consider whether there is evidence of unfair bias; • examining any accounting policies that vary from the Government Financial Reporting Manual; • testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements; and • considering and testing any significant transactions outside the normal course of business or otherwise unusual

4. Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Valuation of Legal Aid Provision</p> <p>The Legal Aid Fund financial statements include a provision for live legal aid cases which remain unbilled at year-end. This is an estimate of the expenditure required to settle any obligation at the end of the reporting period. The legal aid provision was £66 million at 31 March 2023.</p> <p>SLAB calculates the provision based on an internally developed model which includes significant estimation in the data used to value cases. This represents an increased risk of misstatement in the financial statements.</p>	○	●	●	<p>We will evaluate the design and implementation of controls SLAB has in place which mitigate the risk of incorrect accounting for the legal aid provision.</p> <p>We will review the process for calculating the provision and assess the reasonableness and accuracy of the assumptions and data used.</p> <p>We will also undertake substantive procedures to ensure the legal aid provision is recorded appropriately in the financial statements.</p>
3	<p>Valuation of Pension Liability</p> <p>SLAB operates a contributory defined benefit pension scheme, the Legal Aid (Scotland) Pension Scheme. The scheme had a liability of £81 million at 31 March 2023 (£69 million for the Legal Aid Board and £12 million for the Legal Aid Fund).</p> <p>Estimation of the pension liability depends on several complex judgements which are sensitive to changes. These include the discount rate used, the rate at which salaries are predicted to increase, inflation rates and life expectancy. Due to the high degree of estimation uncertainty associated with the valuations, we have determined there is a significant risk in this area.</p>	○	●	●	<p>We will address this risk by reviewing the controls that SLAB has in place over the information sent to the scheme actuary by the scheme administrators, the Scottish Public Pensions Agency. We will also review the controls operated by the Scottish Public Pensions Agency.</p> <p>We will also:</p> <ul style="list-style-type: none"> • assess the skill, competence and experience of the Fund's actuary; • challenge the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation; • carry out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation • perform substantive analytical review procedures on benefits paid.

4. Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of property, plant, and equipment SLAB held land and buildings with a net book value of £9.6 million as at 31 March 2023. Land and buildings are fully revalued by an external valuer at least every five years, with an interim valuation in year three. The last full valuation was carried out at 31 March 2022.</p> <p>There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and changes in these can result in material changes to valuations. There is also the risk, for those assets that have not been subject to revaluation in year, that the carrying value does not reflect current value.</p>	○	●	●	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the competence, capabilities and objectivity of SLAB's valuer, District Valuers of the Valuation Office Agency. • assess the scope and terms of engagement with the Valuer. • assess how the management use the Valuer's report to be carried out as at 31 March 2024 to value land and buildings included in financial statements. • test the accuracy of the data used in valuations. • challenge the SLAB and Valuer's assumptions and judgements applied in the valuations. • review the valuation methodology used, including the appropriateness of the valuation basis. • ensure any changes in asset values are correctly accounted for in the annual accounts and reflected in the fixed asset register. • consider the reasonableness of the valuation by comparing the valuation output with market intelligence.

4. Significant risks and other key judgement areas

Consideration of risks related to revenue and expenditure recognition

As set out in International Standard on Auditing (UK) 240: The auditor's responsibilities relating to fraud in an audit of financial statement, there is a presumed risk of fraud over the recognition of revenue. There is a risk that revenue may be misstated resulting in a material misstatement in the financial statements. We have rebutted this risk for the Legal Aid Fund because income is recovered as set out in the Legal Aid (Scotland) Act 1986. There are limited opportunities and incentives for management to manipulate the way income is recognised. We have also rebutted this risk for the Legal Aid Board because all income is for accommodation services provided to third parties. The nature of this income means there is a low risk that it can be manipulated. Therefore, we do not propose to include work over and above our standard audit procedures.

Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom highlights that, as most public-sector bodies are net spending bodies, the risk of material misstatement due to fraud related to expenditure may in some cases be greater than the risk relating to revenue recognition. We have rebutted this risk for the Legal Aid Fund as expenditure is set out in the Legal Aid (Scotland) Act 1986 and is demand-led. There are limited opportunities and incentives for management to manipulate the way expenditure is recorded due to how funding for legal aid is provided. We have also rebutted this risk for the Legal Aid Board. Most of its expenditure (84%) is salaried staff costs, which is well controlled and made up of low value individual transactions. The remaining significant expenditure is depreciation and amortisation, and other administration expenses. The nature of this expenditure presents a low risk of manipulation. We will carry out standard audit procedures for all expenditure.

Therefore, at this stage, we are not proposing to include specific work in our audit plan in these areas over and above our standard audit procedures.

05

Section 05:

Wider scope and Best Value

5. Wider scope and Best Value

The framework for wider scope work

The Code of Audit Practice sets out the four areas that frame the wider scope of public sector audit. We are required to form a view on the adequacy of the Scottish Legal Aid Board arrangements in four areas:

1. Financial management
2. Financial sustainability
3. Vision, leadership, and governance
4. Use of resources to improve outcomes.

Financial management	Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively. Auditors consider whether the body has effective arrangements to secure sound financial management.
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Financial sustainability	Financial sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs. Auditors consider the extent to which audited bodies have shown regard to financial sustainability. They look ahead to the medium term (two to five years) and longer term (over five years) to consider whether the body is planning effectively so that it can continue to deliver services.
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Vision, leadership and governance	Audited bodies must have a clear vision and strategy, and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation. Auditors consider the clarity of plans to implement the vision, strategy and priorities adopted by the leaders of the audited body. They also consider the effectiveness of governance arrangements for delivery.
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Use of resources to improve outcomes	Audited bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities. Auditors consider the clarity of the arrangements in place to ensure that resources are deployed to improve strategic outcomes, meet the needs of service users taking account of equalities, and deliver continuous improvements in priority services.
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5. Wider scope and Best Value

Our approach

Our planned audit work against the four wider scope areas is risk based and proportionate. We need to gather sufficient evidence to support our commentary on SLAB's arrangements and to identify and report on any significant weaknesses. We will carry out more detailed work where we identify significant risks. Where significant weaknesses are identified we will report these to SLAB and make recommendations for improvement. In addition to local risks, we consider challenges that are affecting the public sector as a whole.

Best Value

Ministerial Guidance to Accountable Officers and the Scottish Public Finance Manual explain that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. We will consider the arrangements put in place by the Accountable Officer to meet their Best Value obligations as part of the wider scope audit work.

5. Wider scope and Best Value

Wider scope risks

The Code of Audit Practice requires us to consider the significant audit risks in areas defined in the Code as the wider scope audit.

The table below outlines the wider scope recommendations we identified in 2022/23. We have not identified any significant risks during the planning.

We will report any further identified risks to the Audit Committee.

	Description	Financial management	Financial sustainability	Vision, leadership and governance	Use of resources to improve outcomes	Planned procedures
1	Revision of anti-fraud and corruption and whistleblowing policies – Level 2 SLAB should review and update its anti-fraud and corruption and whistleblowing policies.	●				Review SLAB's progress in updating its anti-fraud, corruption and whistleblowing policies.
2	Medium to long term financial planning – Level 3 SLAB should develop longer term financial planning to ensure it has a clear idea of the resources needed to deliver its corporate plan.		●			Review and comment in the annual audit report on SLAB's progress in implementing longer term financial and workforce plans.
3	Integration of budgeting and resource requirements within corporate and business plans – Level 3 SLAB should ensure its corporate and business plans include consideration of the resources required to deliver its planned objectives.				●	Review SLAB's progress in linking its budget to its corporate and business plans.

06

Section 06:

Fees for audit and other services

6. Fees for audit and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of SLAB's financial statements for the year ended 31 March 2024 are outlined below.

Fees for work as the Scottish Legal Aid Board's appointed auditor

At this stage of the audit, we are planning to diverge from the expected fees set by Audit Scotland and available on the Audit Scotland website: [Audit Scotland expected fees for 2023/24 audits](#). See details below.

We have not provided any non-audit services to the Scottish Legal Aid Board during the year.

	2023/24 Proposed Fee	2022/23 Actual Fee
Auditor remuneration	£73,170	£69,030
Pooled costs	£780	(£1,090)
Contribution to PABV costs	£0	£0
Audit support costs	£0	£1,960
Sectoral cap adjustment	(£10,150)	(£9,730)
Additional audit procedures to obtain assurance over pension scheme actuarial assumptions and testing of pension benefits and membership data	£4,107	£0
Additional audit procedures to review and test updated legal aid provision model and new assumptions used	£12,911	£0
Total fee	£80,818	£60,170

07

Section 07:

Our commitment to independence

7. Our commitment to independence



Requirements

We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.



Compliance

We are not aware of any relationship between Mazars and the Scottish Legal Aid Board that, in our professional judgement, may reasonably be thought to impair our independence.
We are independent of the Scottish Legal Aid Board and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.



Non-audit and Audit fees

We have set out a summary any non-audit services provided by Mazars (with related fees) to the Scottish Legal Aid Board in Section 6, together with our audit fees and independence assessment.

7. Our commitment to independence

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Tom Reid in the first instance.

Prior to the provision of any non-audit services, Tom Reid will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Framework Agreement issued by Audit Scotland available from the Audit Scotland website: [Audit Scotland Framework Agreement \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk). Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report.

08

Section 08:

Materiality and misstatements

8. Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors.

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provides a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

8. Materiality and misstatements

Materiality (continued)

We consider that total expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of total expenditure.

As set out in the table below, based on the audited 22/23 financial statements we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £2.9m for Fund accounts and 0.36m for Board accounts, and performance materiality to be in the region of £2m for Fund accounts and £0.25m for Board accounts.

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

Scottish Legal Aid Board financial statements- Fund Accounts

	2023/24 £'000s	2022/23 £'000s
Overall materiality	2,885	2,885
Performance materiality	2,020	2,020
Clearly trivial	87	87
Specific materiality	Remuneration and staff report - 1 Band	Remuneration and staff report - 1 Band

Scottish Legal Aid Board financial statements- Board Accounts

	2023/24 £'000s	2022/23 £'000s
Overall materiality	355	355
Performance materiality	248	248
Clearly trivial	11	11

8. Materiality and misstatements

Misstatements

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £87,000 for Fund accounts and £11,000 for Board accounts, based on 3% of overall materiality. If you have any queries about this, please raise these with Tom Reid.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the audit committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).



Appendices

A: Key communication points

B: Current year updates, forthcoming accounting & other issues

Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Annual Audit Plan; and
- Our Annual Audit Report.

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Annual Audit Plan

Our responsibilities in relation to the audit of the financial statements;

- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;

- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Annual Audit Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Annual Audit Plan
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Annual Audit Plan
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Annual Audit Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Audit Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Annual Audit Report and discussion at the Audit Committee Audit Planning and Clearance meetings

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	Annual Audit Report
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit Committee in the context of fulfilling their responsibilities. 	Annual Audit Report
Significant deficiencies in internal controls identified during the audit.	Annual Audit Report
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Annual Audit Report

Appendix A: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of.</p>	<p>Annual Audit Report and Audit Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Annual Audit Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Annual Audit Report</p>
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p>	<p>Annual Audit Plan</p>

Appendix A: Key communication points

Required communication	Where addressed
Indication of whether all requested explanations and documents were provided by the entity	Annual Audit Report

Appendix B: Current year updates, forthcoming accounting & other issues

Current and forthcoming accounting issue (continued)

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements*: Disclosure of Accounting Policies (Issued February 2021)

- The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates (Issued February 2021)

- The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 *Insurance Contracts* (issued May 2017) and Amendments to IFRS 17 *Insurance Contracts* (Issued June 2020)

- IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 *Insurance Contracts*: Initial Application of IFRS 17 and IFRS 9 *Financial Instruments* (Issued December 2021)

- The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 *Insurance Contracts* has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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