

Scottish Legal Complaints Commission

Annual Audit Plan 2023/24



 AUDIT SCOTLAND

Prepared for the Scottish Legal Complaints Commission

March 2024

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Introduction

Summary of planned audit work

1. This document summarises the work plan for our 2023/24 audit. The main elements of the audit include:

- an assessment of key controls within the main accounting systems
- an audit of the annual report and accounts and provision of an Independent Auditor's Report
- an audit opinion on the financial statements, regularity and other statutory information published within the annual report and accounts including the Performance Report, Governance Statement, and the Remuneration and Staff Report
- consideration of arrangements in relation to wider scope areas: financial sustainability and the governance statement
- consideration of best value arrangements.

2. There has been no change to the audit team as we move into the second year of our audit appointment. Helen Russell remains the appointed auditor.

Respective responsibilities of the auditor and the Scottish Legal Complaints Commission

3. The [Code of Audit Practice](#) sets out in detail the respective responsibilities of the auditor and the Scottish Legal Complaints Commission (SLCC). Key responsibilities are summarised below.

Auditor responsibilities

4. Our responsibilities as independent auditors are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice](#) (including [supplementary guidance](#)) and guided by the Financial Reporting Council's Ethical Standard.

5. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual report and accounts. We also review and report on the wider scope arrangements in place at the SLCC. In doing this, we aim to support improvement and accountability.

SLCC responsibilities

6. The SLCC is responsible for maintaining adequate accounting records and internal controls, and preparing financial statements for audit that give a true and fair view.

7. The SLCC has the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation, and establishing effective arrangements for governance, propriety, and regularity that enable them to deliver their objectives.

Adding Value

8. We aim to add value to the SLCC by being constructive and forward looking and providing independent conclusions on all aspects of the audit. We will identify areas for improvement, and recommend and encourage good practice. In so doing, we will help SLCC promote improved standards of governance, better management and decision making, and more effective use of resources.

Annual report and accounts

Introduction

9. The annual report and accounts are an essential part of demonstrating the SLCC's stewardship of resources and its performance in the use of those resources.

10. As appointed auditor, I am required to perform an audit of the financial statements, consider other information within the annual report and accounts, and express a number of audit opinions in an Independent Auditor's Report in accordance with International Standards on Auditing (ISAs) in the UK, Practice Note 10 and guidance from Audit Scotland.

11. My team and I focus our work on the areas of highest risk. As part of our planning process, we perform a risk assessment highlighting the audit risks relevant to the production of the financial statements.

Materiality

12. The concept of materiality is applied by auditors in planning and performing the audit, and in evaluating the effect of any uncorrected misstatements on the financial statements. As appointed auditor, I am required to plan my audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

Materiality levels for the 2023/24 audit

13. We assess materiality at different levels as described in [Exhibit 1](#). The materiality values for SLCC are set out in [Exhibit 1](#).

Exhibit 1

2023/24 Materiality levels for Scottish Legal Complaints Commission

Materiality	Amount
<p>Planning materiality – This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. Materiality has been set based on our assessment of the needs of the users of the financial statements and the nature of the SLCC's operations.</p> <p>For the year ended 30 June 2024, we have set materiality at 2% of forecast gross expenditure based on the forecast expenditure in the SLCC 2023/24 Levy and Budget.</p>	£85,000
<p>Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality,</p>	£64,000

this could indicate that further audit procedures are required. Using our professional judgement, we have assessed performance materiality at 75% of planning materiality.

Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements more than the ‘reporting threshold’ amount.	£4,000
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Source: Audit Scotland

Significant risks of material misstatement to the financial statements

14. Our risk assessment draws on our cumulative knowledge of the SLCC, its major transaction streams, key systems of internal control, and risk management processes. It is informed by our discussions with management and with internal audit, attendance at committees, and a review of supporting information.

15. Audit risk assessment is an iterative and dynamic process. Our assessment of risks set out in this plan may change as more information and evidence becomes available during the progress of the audit. We will inform you of any significant changes in assessed risks and any resulting changes in our planned audit work. .

16. Based on our risk assessment process, we identified the following significant risks of material misstatement to the financial statements. These are risks which have the greatest impact on our planned audit procedures. [Exhibit 2](#) summarises the nature of the risks, management’s sources of assurance over these risks, and the further audit procedures we plan to perform to gain assurance over the risks.

Exhibit 2

2023/24 Significant risks of material misstatement to the financial statements

Significant risk of material misstatement	Management’s sources of assurance	Planned audit response
<p>1. Risk of material misstatement due to fraud caused by management override of controls</p> <p>As stated in ISA (UK) 240, management is in a unique position to perpetrate fraud because of management’s ability to override controls that</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<ul style="list-style-type: none"> • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. • Test journals at the year-end and post-closing entries and focus on significant risk areas. • Test journal entries and other adjustments throughout the year. • Evaluate significant transactions outside the normal course of business.

Significant risk of material misstatement	Management's sources of assurance	Planned audit response
<p>otherwise appear to be operating effectively.</p> <p>This is presumed to be a significant risk in every audit.</p>		<ul style="list-style-type: none"> • Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements. • Assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year. • Substantive testing of income and expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Focussed testing of accounting accruals and prepayments.
<p>2. Risk of material misstatement due to fraud in expenditure</p> <p>Practice Note 10 extends the requirements of ISA 240 to include consideration of fraud in expenditure for public bodies.</p> <p>In 2022/23, other administration expenditure of £1 million was incurred which consists of a range of expenditure items. As this is in excess of our materiality, there is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> • Annual budget approved by Board. • POs raised and approved in line with Scheme of Delegation. • Monthly financial monitoring reports and reviewed. • Limited access to the PO system. • Dual Authorisation for all payments. • Core Financial Controls Audit carried out by Internal Audit. 	<ul style="list-style-type: none"> • Monitoring of the budgetary process and reporting. • Substantive testing of non-pay expenditure transactions across the financial year. • Substantive testing of expenditure transactions around the year-end to confirm they are accounted for in the correct financial year. • Substantive testing of accruals and prepayments. • Consideration of the process for submitting and approving expenses claims and substantive testing of expenses payments. • Consideration of any relevant internal audit reports.

Source: Audit Scotland

17. As set out in ISA (UK) 240: *The auditor's responsibilities relating to fraud in an audit of financial statements*, 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 SLCC as the majority of income (97%) is in the form of Levy funding. This is collected by

the relevant professional bodies (Law Society of Scotland, Faculty of Advocates) according to the member numbers on their roll, and predetermined levy bands. We have concluded there is limited opportunity or incentive to manipulate the recognition of income in the financial statements.

18. We have not, therefore, incorporated specific work into our audit plan in this area over and above our standard audit procedures.

Other areas of audit focus

19. As part of our assessment of audit risks, we have identified one other area where we consider there to be is a risk of material misstatement to the financial statements. The areas of specific audit focus relates to estimates and judgements relating to provisions. The financial statements include accounting estimates in the form of provisions (legal and dilapidation provisions). There is a level of uncertainty attached to these balances due to the degree of estimation involved. As at 30 June 2023 these were valued at £133,000 which is material.

20. Based on our assessment of the likelihood and magnitude of the risk, we do not consider this to represent a significant risk. We will keep this area under review as our audit progresses.

Regularity

21. Auditors are required by the Public Finance and Accountability (Scotland) Act 2000 to report on whether expenditure and income were incurred or applied, in all material respects, in accordance with applicable enactments and guidance issued by the Scottish Ministers (generally referred to as the regularity opinion).

22. We will adopt an integrated audit approach to meeting this responsibility and use work on the audit of the financial statements supplemented by additional testing for any irregular transactions, where necessary.

Wider Scope

23. The [Code of Audit Practice](#) sets out the four areas that frame the wider scope of public sector audit and requires auditors to consider the adequacy of the arrangements in place.

24. The four wider scope areas are financial management, financial sustainability, vision, leadership and governance, and use of resources to improve outcomes.

25. The [Code of Audit Practice](#) includes provisions relating to the audit of less complex bodies. Where the application of the full wider audit scope is judged by auditors not to be appropriate to an audited body then the annual audit work can focus on the appropriateness of the disclosures in the governance statement and the financial sustainability of the body and its services.

26. Due to the nature of the Scottish Legal Complaints Commission, including the low volume and lack of complexity of the financial transactions we have concluded that the less complex provision can be applied. We have not identified any risks in relation to the wider scope.

27. [Ministerial Guidance to Accountable Officers](#) for public bodies and the **[Scottish Public Finance Manual](#)** (SPFM) explain that accountable officers have a specific responsibility to ensure that arrangements have been made to secure best value. We will be carrying out a high-level review to confirm that such arrangements are in place within SLCC.

Reporting arrangements, timetable, and audit fee

Reporting arrangements

28. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft reports will be shared with the relevant officers to confirm factual accuracy.

29. We will provide:

- an Independent Auditor's Report to the SLCC, the Scottish Parliament, and the Auditor General for Scotland setting out our opinions on the annual report and accounts
- the SLCC and the Auditor General for Scotland with an Annual Audit Report containing observations and recommendations on significant matters which have arisen during the audit.

30. [Exhibit 3](#) outlines the planned dates for our audit outputs.

Exhibit 3 2023/24 Audit outputs

Audit Output	Planned date	Audit Committee Date
Annual Audit Plan	31 March 2023	15 April 2023
Independent Auditor's Report	31 October 2023	To be confirmed
Annual Audit Report	31 October 2023	To be confirmed

Source: Audit Scotland



31. All Annual Audit Plans and the outputs detailed in [Exhibit 3](#), and any other outputs on matters of public interest, will be published on our website: www.audit-scotland.gov.uk.

Timetable

32. To support an efficient audit, it is critical that the timetable for producing the annual report and accounts for audit is achieved. We have included a proposed timetable for the audit at [Exhibit 4](#) that has been discussed with management.

33. We will continue to work closely with management to identify the most efficient approach as appropriate and will keep timeframes and logistics for the completion of the audit under review. Progress will be discussed with SLCC over the course of the audit.

Exhibit 4 Proposed annual report and accounts timetable

 Key stage	 Provisional Date
Latest submission date for the receipt of the unaudited annual report and accounts with complete working papers package.	31 August 2024
Latest date for final clearance meeting with the Director of Business Performance	21 October 2024
Agreement of audited and unsigned annual report and accounts	24 October 2024
Issue of Annual Audit Report to those charged with governance.	25 October 2024
Consideration of audited annual accounts and audit reporting by those charged with governance	tbc
Independent Auditor's Report Signed	31 October 2024

Source: Audit Scotland

Audit fee

34. In determining the audit fee, we have taken account of the risk exposure of the SLCC and the planned management assurances in place. Fee levels are also impacted by inflation which increases the cost of audit delivery. The agreed audit fee for 2023/24 is £18,180.

35. In setting the fee for 2023/24, we have assumed that the SLCC has effective governance arrangements and will prepare a comprehensive and accurate set of annual report and accounts for audit in line with the agreed timetable for the audit. The audit fee assumes there will be no major change in respect of the scope of the audit during the year and where our audit cannot proceed as planned, a supplementary fee may be levied.

Other matters

Internal audit

36. It is the responsibility of the SLCC to establish adequate internal audit arrangements.

37. While we are not planning to place formal reliance on the work of internal audit in 2023/24, we will review internal audit reports and assess the impact of the findings on our audit approach.

Independence and objectivity

38. As the appointed auditor, I am independent of the SLCC in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. This standard imposes stringent rules to ensure the independence and objectivity of auditors.

39. Audit Scotland has robust arrangements in place to ensure compliance with Ethical Standard including an annual *'fit and proper'* declaration for all members of staff. The arrangements are overseen by the Executive Director of Innovation and Quality, who serves as Audit Scotland's Ethics Partner.

40. The Ethical Standard requires auditors to communicate any relationships that may affect the independence and objectivity of the audit team. I am not aware of any such relationships pertaining to the audit of the SLCC.

Audit Quality

41. Audit Scotland is committed to the consistent delivery of high-quality public audit. Audit quality requires ongoing attention and improvement to keep pace with external and internal changes. Further information explaining the arrangements for providing assurance on the delivery of high-quality audits is available from the [Audit Scotland website](#).

42. The International Standards on Quality Management (ISQM) applicable to Audit Scotland for 2023/24 audits are:

- ISQM (UK) 1 which deals with an audit organisation's responsibilities to design, implement and operate a system of quality management (SoQM) for audits. Our SoQM includes our governance arrangements and culture to support audit quality, compliance with ethical requirements, ensuring we are dedicated to high-quality audit and ensuring we have robust quality monitoring arrangements in place.
- ISQM (UK) 2 which sets out arrangements for conducting engagement quality reviews, which are performed by senior management not

involved in the audit to review significant judgements and conclusions reached by the audit team.

43. To monitor quality at an individual audit level, Audit Scotland also carries out internal quality reviews of a sample of audits. Additionally, the Institute of Chartered Accountants of England and Wales (ICAEW) carries out independent quality reviews.

44. Actions to address deficiencies identified by internal and external quality reviews are included in a rolling Quality Improvement Action Plan which is used to support continuous improvement. Progress with implementing planned actions is regularly monitored by Audit Scotland's Quality and Ethics Committee.

45. Audit Scotland may periodically seek your views on the quality of our service provision. The team would also welcome feedback more informally at any time.

Scottish Legal Complaints Commission

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Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit:

www.audit-scotland.gov.uk/accessibility

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