

Annual Audit Report

Scottish Legal Aid Board – Year
ended 31 March 2023

August 2023



Contents

- [01 Executive summary](#)
- [02 Status of the audit](#)
- [03 Audit approach](#)
- [04 Significant findings](#)
- [05 Internal control recommendations](#)
- [06 Summary of misstatements](#)
- [07 Wider scope](#)

[Appendix A: Draft management representation letter](#)

[Appendix B: Draft audit report](#)

[Appendix C: Independence](#)

[Appendix D: Other communications](#)

[Appendix E: Wider scope and Best Value ratings](#)

Our reports are prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 18 May 2022 through which the Auditor General for Scotland has appointed us as external auditor of the Scottish Legal Aid Board (SLAB) for financial years 2022/23 to 2026/27. We undertake our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000, as amended; and our responsibilities as set out within Audit Scotland's Code of Audit Practice 2021.

Reports and letters prepared by appointed auditors and addressed to SLAB are prepared for the sole use of SLAB and made available to Audit Scotland and the Auditor General for Scotland. We take no responsibility to any member or officer in their individual capacity or to any other third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

28 August 2023

Mazars LLP

100 Queen Street
Glasgow
G1 3DN

Dear Committee Members and the Auditor General for Scotland,

Annual Audit Report – Year ended 31 March 2023

We are pleased to present our Annual Audit Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions and findings from our considerations of the wider scope audit specified in the Code of Audit Practice 2021 namely, financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 19 June 2023 to the Audit Committee. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of SLAB's team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07816354994.

Yours faithfully



Tom Reid (Audit Director)

Mazars LLP

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01

Section 01:

Executive summary

1. Executive summary

Audit conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the Audit Scotland's Code of Audit Practice 2021. Our responsibilities and powers are derived from our appointment by the Auditor General under the Public Finance and Accountability (Scotland) Act 2000 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Valuation of legal aid provision;
- Pension liability; and
- Valuation of property, plant and equipment.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements. Section 7 outlines our work on SLAB's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have concluded our audit in respect of the financial statements for the year ended 31 March 2023.

Conclusions from our audit testing and audit opinion

We have concluded our audit in respect of the financial statements for the year ended 31 March 2023. Based on our audit work completed to date we have the following conclusions:



Audit opinion

We issued an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Regularity

We issued an unqualified opinion, without modification, that 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. Our proposed audit opinion is included in the draft auditor's report in Appendix B.



Matters on which we report by exception

We are required to report to you if, during the course of our audit, we have found that adequate accounting records have not been kept; the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or we have not received all the information and explanations we require for our audit. We have nothing to report in respect of these matters.

1. Executive summary (continued)

Conclusions from our audit testing and audit opinion (continued)



Governance Statement and Performance Report

We are required to report on whether the information given in the Governance Statement and Performance Report is materially inconsistent with the financial statements; has not been properly prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers; or is materially misstated.

We have no matters to report in respect of the Governance Statement or the Performance Report.



Other information

We are required to report on whether the other information (comprising of the Performance Report and the Accountability Report and the unaudited parts of the Remuneration and Staff Report), is materially inconsistent with the financial statements; has not been properly prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers; or is materially misstated.

No inconsistencies have been identified and we have issued an unmodified opinion in this respect.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on SLAB's WGA submission. We are unable to commence our work in this area until such instructions have been received.

1. Executive summary (continued)

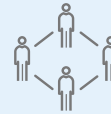
Wider Scope conclusions

As auditors appointed by the Auditor General of Scotland, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of SLAB's performance and make recommendations for improvement and, where appropriate, conclude on SLAB's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

It remains the responsibility of SLAB to ensure that it makes proper financial stewardship of public funds, complies with relevant legislation, and establishes effective governance of their activities. SLAB is also responsible for ensuring that it establishes arrangements to secure continuous improvement in performance and, in making those arrangements, ensures resources are being used to improve strategic outcomes and demonstrate the economy, efficiency, and effectiveness throughout the use of its resources. These arrangements should be proportionate to the size and type of the NDPB, appropriate to the nature of the NDPB and the services and functions that it has been created to deliver.



Wider Scope

We anticipate having no risks in arrangements to report in relation to the financial management; financial sustainability; vision, leadership and governance; and use of resources to improve outcomes arrangements that SLAB has in place.

Further detail on our Wider Scope work is provided in section 7 of this report including any significant risks identified.

02

Section 02:

Status of the audit

2. Status of the audit

We have concluded our audit in respect of the financial statements for the year ended 31 March 2023 and there are no outstanding matters of which we are aware that would require modification of our audit opinion.

03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in June 2023. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £2,760k using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, is £2,885k using the same benchmark.

Use of experts

There have been no changes to our use of experts outlined in our Audit Strategy Memorandum, with no issues arising we are required to report to you.

Service organisations

There have been no changes to the service organisations outlined in our Audit Strategy Memorandum, with no issues arising we are required to report to you.

04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 18 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit.

4. Significant findings (continued)

Significant risks

Management override of controls	Description of the risk 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.
	<hr/> How we addressed this risk We addressed this risk by: <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.
	<hr/> Audit conclusion Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention.

4. Significant findings (continued)

Valuation of legal aid provision**Description of the risk**

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 £69 million at 31 March 2022.

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.

How we addressed this risk

We addressed the risk by:

- evaluating the design and implementation of controls SLAB has in place which mitigate the risk of incorrect accounting for the legal aid provision;
- reviewing the process for calculating the provision and assessing the reasonableness and accuracy of the assumptions and data used;
- undertaking substantive procedures to ensure the legal aid provision is recorded appropriately in the financial statements.

Audit conclusion

We did not identify any issues with the accuracy of the legal aid provision or supporting disclosures.

The maximum duration cut-off percentile is a major assumption used to calculate the provision. This assumption has remained the same since 2018. Officers planned to review the assumption when they had three years of data on the duration of legal cases but the impact of Covid-19 on the legal system meant there was insufficient reliable data to adjust the assumption. Officers have provided us with sufficient assurances and supporting documentation to confirm that all assumptions used to calculate the provision remain appropriate. The impact of changing the maximum duration cut-off percentile is disclosed in the annual accounts. Going forward, officers should continue to carry out a detailed annual review of the assumption to confirm it accurately reflects the duration of legal cases. Officers plan to complete the three-year review by March 2024 and make adjustments as required to ensure the provision reflects the correct cut-off percentile. See also page 18.

4. Significant findings (continued)

Valuation of Pension Liability**Description of the risk**

SLAB operates a contributory defined benefit pension scheme, the Legal Aid (Scotland) Pension Scheme. The scheme had a liability of £182 million at 31 March 2022 (£152 million for the Legal Aid Board and £30 million for the Legal Aid Fund).

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.

How we addressed this risk

We addressed 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;
- reviewing the controls operated by the Scottish Public Pensions Agency;
- assessing the skill, competence and experience of the Fund's actuary;
- challenging the reasonableness of the assumptions used by the actuary as part of the annual IAS 19 valuation by engaging Mazars actuarial team to provide a view on the assumptions;
- carrying out a range of substantive procedures on relevant information and cash flows used by the actuary as part of the annual IAS 19 valuation
- performing substantive analytical review procedures on benefits paid.

Audit conclusion

We obtained the assurances sought and there are no significant issues arising that we are required to report to you.

4. Significant findings (continued)

Key areas of management judgement

Valuation of property, plant and equipment	Description of the management judgement
	<p>SLAB held land and buildings with a net book value of over £9 million as at 31 March 2022. 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>
	How our audit addressed this area of management judgement
	<p>We planned to address this risk by:</p> <ul style="list-style-type: none">• evaluating the competence, capabilities and objectivity of SLAB's valuer, District Valuers of the Valuation Office Agency;• reviewing the management processes and assumptions used for the interim asset valuation reviews;• ensuring any changes in asset values are correctly accounted for in the annual accounts and reflected in the fixed asset register;• reviewing management's assumptions for any assets not subject to interim review and how it has satisfied itself that the values of these assets are not significantly different to current values.
	Audit conclusion
	<p>Our work has provided the assurance we sought in each of these areas and has not highlighted any material issues to bring to your attention. No interim asset valuation review was carried out this year.</p>

4. Significant findings (continued)

Qualitative aspects of SLAB's accounting practices

We have reviewed SLAB's accounting policies and disclosures and concluded they comply with the Government Financial Reporting Manual (FReM) 2022/23, appropriately tailored to the SLAB's circumstances.

We recommended updating the accounting policy covering IFRS 16 to provide more detail on the accounting treatment of right of use assets and lease expenditure under the new standard. Officers have made the requested changes in the final version of the annual report and accounts.

The unaudited annual report and accounts were received from SLAB on 19 June 2023 and were of a good quality.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- **First year audit procedures.** Auditing standards require us to carry out additional specific procedures in the first year of an audit. These include: seeking professional clearance confirmations from the predecessor auditor, reviewing the predecessor auditor's working papers and reports and specific additional procedures over brought forward balances. As part of this work, we discussed controls in place for key information systems with management.
- **Legal aid provision.** We discussed the process for calculating the provision for live legal cases unbilled at year end with management. We also discussed the reasonableness and accuracy of the assumptions and data used. The maximum duration cut-off percentile is a major assumption used to calculate the provision. SLAB undertakes a respective review of this assumption annually called the Multiple Duration Day Cut-off calculation (MDDC). This focuses on the actual costs and duration of cases billed in the year and assesses the accuracy of the assumptions made. SLAB's model includes a cut-off percentile of 82.5% so that cases that fall significantly out with the average case duration are excluded from the calculation. We recommend that officers continue to perform an annual review of the MDDC calculation to confirm that it reflects

the correct cut-off percentile.

Significant difficulties during the audit

During the audit, we did not encounter any significant difficulties and we have had the full co-operation of management.

4. Significant findings (continued)

Wider responsibilities – statutory reporting

We are required to notify the Auditor General when circumstances indicate that a statutory report may be required.

- Section 22 of the Public Finance and Accountability (Scotland) Act 2000 allows us to prepare a report to bring to the attention of the Scottish Parliament and the public, matters of public interest arising during the audit of the SLAB.
- Section 23 of the Public Finance and Accountability (Scotland) Act 2000 allows us to initiate an examination into the economy, efficiency and effectiveness with which SLAB and their officeholders have used their resources in discharging their functions.

We confirm that no such reports have been prepared or any examinations have been initiated.

Reporting to the National Audit Office (NAO) in respect of Whole of Government Accounts (WGA) consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data.

At the time of issuing this report we have not yet received guidance from NAO on the 2022/23 WGA exercise.

05

Section 05:

Internal control recommendations

5. Internal control recommendations

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to the Audit Committee any significant deficiencies identified during the course of our work.

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	4
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations (continued)

Other deficiencies in internal control – Level 2

Description of deficiency

Related parties' transactions

SLAB did not disclose related party transactions with one of its Board members in the unaudited 2022/23 annual report and accounts and the prior year audited accounts.

SLAB has updated the annual report and accounts to include details of the 2022/23 and 2021/22 related party transactions.

Potential effects

Incorrect or incomplete disclosure of related party transactions.

Recommendation

SLAB should conduct regular reviews to identify transactions with related parties and ensure these are fully disclosed in the annual report and accounts.

Management response

We do conduct regular reviews, in this one example an error in disclosure was made in 2021-22. The error was picked up during our review in 2022-23 and subsequently corrected.

To prevent future errors, we intend to enhance member training and communications.

Description of deficiency

IT general controls:- User access review

Managers are required to authorise the access rights of their team on an annual basis. This involves users reviewing their own system access rights for appropriateness and managers actioning any requested changes and authorising access.

Potential effects

Changes in staff responsibilities in the period between reviews may mean user access is no longer appropriate.

Recommendation

Managers should periodically review and agree the access rights of their team members to ensure they are appropriate.

Management response

Managers review access rights on an annual basis. A periodic review instigated by managers will be implemented.

5. Internal control recommendations (continued)

Other deficiencies in internal control – Level 2

Description of deficiency

IT general controls:- User access to ASH system

There is no formal process for authorising changes in user access to the ASH debtors system.

Potential effects

Users could have inappropriate access to the system.

Recommendation

Changes in access to ASH should only be granted when the user's access request has been authorised by an appropriate officer. These approvals should be stored for future reference.

Management response

A formal process for new users/leavers is in place. This will be expanded to include change of user access requests.

Description of deficiency

IT general controls:- Privileged access

We have been informed that access to maintain the ASH system (high level parameters and user access rights) is managed through a separate security system that has a single password known to several members of staff.

Potential effects

Unauthorised use of privileged access could allow users to view, modify or delete sensitive data.

Recommendation

Privileged access should be provided through individual user accounts assigned to individual users.

Management response

A security icon is required to access the security system. Only staff who have authority to access the security system will have this icon. The security system is accessed using a password so no unauthorised user can access the system without a password. ASH is not an external facing system so it does not affect the overall security of SLAB IT systems as a whole.

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £87k.

Adjusted misstatements

None identified

Unadjusted misstatements

None identified

6. Summary of misstatements (continued)

Disclosure amendments

We identified the following adjustments during our audit that have been corrected by management:

- **Performance report:-** Inclusion of additional information to cover disclosures required by the FReM:-
 - A summary of organisational strategic objectives and goals.
 - A summary performance appraisal, providing a synopsis of the performance analysis section, and outlining progress towards strategic objectives.
 - A summary of the principal risks faced and how these have affected the delivery of objectives, how they have changed, how they have been mitigated and any emerging risks that may affect future performance.
 - Detail on future plans and expected future performance, including anticipated changes in the structure or strategic objectives.
- **Governance statement:-** Amendments to ensure compliance with the Scottish Public Finance Manual and in response to recommendations from Audit Committee members:-
 - Adding a conclusion on risk management arrangements.
 - Confirming that the Accountable Officer received certificates of assurance.
 - Including the risk of solicitors withdrawing services.
 - Including comment on delegation chains.
- **Remuneration and staff report:-** Amendments made in response to the following points:-
 - Amendments to the Pay Multiples section to include percentage change from 2021/22 in the highest paid director's salary and allowances and the average percentage changes from 2021/22 for all the employees for salary and allowances.
 - We identified that in case of any changes in directors' term during 2022/23, the annual remuneration (i.e., full year equivalent) should be disclosed in addition to the actual remuneration as per the Cabinet Office's Employer Pension Guide. This has been now updated in the report.
 - Disclosure of the prior year remuneration for Executive team roles
 - Updating salaries and allowances bandings due to change in pension benefits from negative brackets to nil figures as required by the FReM.
- **IFRS 16 (Note 1.10):-** Update to the narrative to provide more details on initial and subsequent measurement of the right of use assets, and measurement and accounting treatment of lease expenditure under the new standard.

There were also adjustments to the annual report and accounts for other minor disclosure, consistency or presentational matters.

07

Section 07: **Wider scope**

7. Commentary on Wider Scope

Overall summary



7. Commentary on Wider Scope

Wider scope summary




As auditors appointed by the Auditor General of Scotland, our wider scope responsibilities are set out in the Audit Scotland's Code of Audit Practice 2021. The Code requirements broaden the scope of the 2022/23 audit and allows us to use a risk-based approach to report on our consideration of SLAB's performance and make recommendations for improvement and, where appropriate, conclude on the SLAB's performance.

The Code's wider scope framework is categorised into four areas:

- financial management;
- financial sustainability;
- vision, leadership and governance; and
- use of resources to improve outcomes.

Overall summary by reporting criteria

From the satisfactory conclusion of our audit work, we have the following conclusions:

	Reporting criteria	Commentary page reference	Identified risks?	Actual risks identified?	Other recommendations made?
	Financial management	30	No	No	Yes – see commentary on page 33
	Financial sustainability	34	No	No	Yes – see commentary on page 36
	Vision, leadership and governance	38	No	No	No
	Use of resources to improve outcomes	42	No	No	Yes – see commentary on page 45

7. Commentary on Wider Scope

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.



7. Financial management

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial management culture	<p>SLAB's system of internal control is based on identification and treatment of risks to the delivery of its aims and objectives. It uses a delegated authority matrix to ensure effective decision making. SLAB reviews its system of internal control on annual basis.</p>	<p>SLAB has appropriate and effective financial management in place.</p> <p>There are sufficient financial skills, capacity, and capability in SLAB.</p>	No significant issues identified.
Accountability	<p>SLAB has a clear process for budget setting. Cost centre managers submit budgets each December detailing the spend required to deliver business plan objectives. These are approved by Directors and then the Executive Team as a whole, before being submitted to the Board as part of the annual budget.</p> <p>SLAB reports financial performance to the Board and its Executive Team on a regular basis. This includes forecasts for the year, which in 2022/23 proved to be accurate. Progress against planned savings also reported to the Executive Team. All savings are required to be approved by the Executive Team along with any resulting budget amendments</p> <p>SLAB achieved financial balance for its administrative budget with an underspend of £1.817 million. Funding for legal services is demand led and the Scottish Government must make funding available to pay for services covered by the legal aid schemes. This means there is no risk of financial balance not being achieved for the Legal Aid Fund.</p>	<p>SLAB reports financial performance to the Board and its Executive Team on a regular basis. This includes forecasts for the year, which in 2022/23 proved to be accurate.</p>	No significant issues identified.

7. Financial management

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
<p>Arrangements to prevent and detect fraud, error and other irregularities, bribery and corruption</p>	<p>SLAB has an anti-fraud and corruption policy statement which sets out staff responsibilities for the prevention of fraud and corruption. It has a fraud response plan which acts as a checklist of actions and guide to follow in the event of fraud being suspected. It also has a whistleblowing policy which provides a guide for employees to follow.</p> <p>SLAB has a Code of Conduct for Members which covers policies and procedures for general conduct, registration of interests and declaration of interests.</p> <p>It also publishes Codes of Practice on its website for solicitors providing legal assistance funded by legal aid.</p>	<p>SLAB’s anti-fraud and corruption policy statement, fraud response plan and whistleblowing policy are marked as last being updated and revised in August 2009. Since then, there has been significant changes in the environment SLAB operates in and the threats it faces.</p> <p>Officers have confirmed that these are the latest versions of the policies. A revised corruption and whistleblowing policy is currently in draft and will be issued alongside an Equality Impact Assessment later in the year (planned for October 2023).</p>	<p>Revision of the anti-fraud and corruption and whistleblowing policies – Level 2</p> <p>SLAB should review and update, as required, its anti-fraud and corruption and whistleblowing policies.</p> <p>See page 33 for further information and our recommendations made to SLAB.</p>

7. Financial management (continued)

Identified risks in financial management arrangements and recommendations for improvement

As a result of our work we have identified risks in SLAB's financial management arrangements. These identified risks have been outlined in the table below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action; see Appendix E for further details.

Financial management risks identified	Recommendation for improvement	SLAB response and implementation timescale
<p>1 Revision of anti-fraud and corruption and whistleblowing policies – Level 2</p> <p>SLAB has not updated its anti-fraud and corruption policy statement, fraud response plan and whistleblowing policy since August 2009. In the intervening period there have been significant changes in the environment SLAB operates in and the threats it faces.</p> <p>Officers have confirmed that a revised corruption and whistleblowing policy is currently in draft and will be issued alongside an Equality Impact Assessment later in the year (planned for October 2023).</p>	<p>SLAB should update its anti-fraud and corruption and whistleblowing policies.</p>	<p>Management's response</p> <p>A revised corruption and whistleblowing policy is currently in draft and will be issued alongside an Equality Impact Assessment later in 2023.</p> <p>Responsible officer</p> <p>Director of Corporate Services & Accounts</p> <p>Implementation date</p> <p>October 2023</p>

7. Commentary on Wider Scope

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.



7. Financial sustainability

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
Financial planning	<p>SLAB has a clear approach to determine its administration and client legal services budget requirements. It has reasonable arrangements in place for identifying and assessing savings.</p> <p>The finance team is responsible for identifying potential savings. These are considered by officers at an Executive team meeting. Directors are responsible for final sign off of their budgets so ensure that any savings agreed upon are reflected in budget returns.</p> <p>SLAB's financial forecasts for the administration budget cover a two-year period. It makes informed assumptions on the key elements of its income and expenditure to inform these forecasts.</p> <p>The legal aid fund is a noncash limited fund and is demand led which makes longer term financial planning more challenging. Decisions on eligibility and payment are made irrespective of any budgetary provision. The Scottish Government must make funding available if required to pay for services covered by the legal aid schemes, even if this is higher than expected in some years.</p>	<p>SLAB prepares financial forecasts for a two-year period for its administration budget, but it does not have a longer-term financial plan.</p>	<p>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.</p> <p>See page 36 for further information and our recommendations made to SLAB.</p>

7. Financial sustainability (continued)

Identified risks in financial sustainability arrangements and recommendations for improvement

As a result of our work we have identified risks in the SLAB’s financial sustainability arrangements. These identified risks have been outlined in the table below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action; see Appendix E for further details.

Financial sustainability risks identified	Recommendation for improvement	SLAB response and implementation timescale
<p>1 Medium to longer term financial planning – Level 3</p> <p>SLAB prepares financial forecasts for a two-year period for its administration budget, but it does not have a longer-term financial plan.</p>	<p>SLAB should develop longer term financial planning.</p>	<p>Management’s response Longer term financial planning/forecasting will be developed for future years.</p> <p>Responsible officer Director of Corporate Services & Accounts</p> <p>Implementation date March 2024</p>

7. Financial sustainability (continued)

Follow up of previously-reported recommendations

In September 2022, Audit Scotland reported one recommendation to SLAB to address risks identified from its wider scope audit of financial sustainability. As part of our work in 2022/23, we followed up the progress made by SLAB against the recommendations made and determined whether the risk remained during the year.

	Financial sustainability finding as reported by previous auditor	Management response and implementation timeframe	Work undertaken and judgements made in 2022/23	Conclusions reached
1	Financial Sustainability / Workforce Plan – Level 3 SLAB should develop a medium to long term workforce plan, including succession planning of key posts, to support the organisation’s strategic objectives in the longer term.	Management Response: A methodology has been developed which will see the planning carried out in stages. Data requirements have been identified. First stage will reflect the potential changes in Legal Aid Act to enable a high-level gap analysis to be done. First Executive Team workshop is scheduled for 4 October 2022. Implementation timescale: December 2022	Progress against the recommendation A methodology has been developed and initial workshops held. The work was paused pending development of the 2023-26 Corporate Plan and appointment of the Head of People & OD.	Conclusions In progress Responsible officer Director of Corporate Services & Accounts Implementation date March 2024

7. Commentary on Wider Scope

Vision, leadership and governance

Vision, Leadership and Governance is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.



7. Vision, leadership and governance

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
<p>Clarity of plans to implement the vision</p>	<p>SLAB has a corporate plan covering 2020-23. This sets out SLAB's vision - "The people of Scotland are confident that we provide fair and transparent access to funding for services that support the exercise and protection of their rights." and its mission "To fund and deliver services that enable people to enforce and protect their rights, defend themselves and manage their personal affairs and relationships.". The plan includes three strategic objectives:</p> <ul style="list-style-type: none"> - 1. Deliver a high-quality user focussed service - 2. Embed ways of working across the organisation that enhance the quality, consistency and transparency of our decision and delivery - 3. Engage with users and delivery partners across the legal aid and justice system to inform good design of our system and services. <p>The plan sets out further details on each objective and actions setting out how SLAB will achieve the objective. It also includes details of how SLAB will measure its success for each objective.</p> <p>SLAB also has an annual business plan which provides a high-level overview of the activity that helps SLAB work towards its strategic objectives.</p> <p>SLAB published its new corporate plan covering 2023-26 in July 2023.</p>	<p>SLAB's corporate plan sets out a clear vision and strategy for the organisation. It has a clear set of three strategic priorities.</p>	<p>No significant issues identified.</p>

7. Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Strategy and priorities	<p>SLAB's corporate plan set out the vision and strategy for the organisation. It also sets out SLAB's contribution to wider Scottish Government outcomes and the National Performance Framework.</p>	<p>SLAB's strategy and priorities are clearly set out in its corporate plan.</p>	<p>No significant issues identified.</p>
Governance arrangements	<p>SLAB is a non-departmental public body sponsored by the Scottish Governments' Justice Directorate. Its broad governance framework and relationship with the Scottish Government are set out in a joint framework agreement. Membership of the Board comes from a range of public and private sector backgrounds, including solicitors and advocates.</p> <p>The Board is the Chair and 11 other non-executive members. The role of the Board is to shape and set SLAB's strategic direction. It also sets SLAB's risk appetite and risk management framework and provides oversight and scrutiny of the organisational and financial performance.</p> <p>The Board has four standing committees:</p> <ul style="list-style-type: none"> - Audit Committee, which advises the Board and Accountable Officer on the effectiveness of the internal control system. - Legal Assistance Policy Committee, which advises the Board on the development and implementation of operational policies. - Legal Services Cases Committee, which considers sensitive, high profile or other specified types of case either at first instance or on review. - Remuneration and Appointments Committee, which considers pay policy and the remuneration and performance of the Chief Executive and Executive Team. 	<p>The governance framework agreed between SLAB and the Scottish Government appears appropriate.</p> <p>We found evidence of effective scrutiny, challenge and transparency of decision making at the Audit Committee. We have confirmed that the Board provides oversight and scrutiny of SLAB's organisational and financial performance.</p>	<p>No significant issues identified.</p>

7. Vision, leadership and governance (continued)

Our overall assessment (continued)

Area assessed	Our findings	Our judgements	Risks identified
Financial and performance information	<p>Performance is reported to each meeting of the Board. The reports cover:</p> <ul style="list-style-type: none"> - applications performance for the three types of legal aid applications - accounts performance for the three types of accounts administered - solicitor satisfaction. <p>The reports contain narrative explanations where benchmarks have not been met. There is a range of indicators for applications and accounts, and performance is recorded on a month-by-month basis. This is shown in tables in the report.</p> <p>The information in the tables is known as SLAB Operational Performance Overview Reports (SOPOR). Quarterly SOPOR reports are also available on SLAB's website along with guidance on how the measures are calculated and interpreted.</p>	<p>The regular performance reports presented to the Board and the SOPOR provide clear and regular information on SLAB's performance against benchmarks/targets for its main operations.</p> <p>Information is provided on a month-by-month basis which allows the user to see performance trends over a 12-month period. Narrative explanations are included in the Board reports where performance is below expectations.</p>	<p>No significant issues identified.</p>

7. Commentary on Wider Scope

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. This includes demonstrating economy, efficiency, and effectiveness through the use of financial and other resources and reporting performance against outcomes.



7. Use of resources to improve outcomes

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
<p>Resources deployed to improve strategic outcomes</p>	<p>Internal audit has reported that there is limited integration of budgeting or resource requirements within SLAB’s corporate or business plans. It included a recommendation on this in its 2022/23 Strategic and Workforce Planning audit.</p> <p>Internal audit also found that there is no consideration of costs incurred in achieving performance levels, which makes achievement of Best Value difficult to measure. We confirmed this from our review of the corporate and business plans, and performance reports to the Board.</p>	<p>SLAB cannot demonstrate a clear link between money spent and outputs and the outcome delivered.</p>	<p>Integration of budgeting and resource requirements within corporate and business plans – Level 3</p> <p>SLAB should ensure its corporate and business plans include consideration of the resources required to deliver its planned objectives.</p> <p>See page 45 for further information and our recommendations made to SLAB.</p>

7. Use of resources to improve outcomes

Our overall assessment

Area assessed	Our findings	Our judgements	Risks identified
<p>Needs of service users being met</p>	<p>Solicitor satisfaction is reported in the SOPOR and is covered in the regular performance reports to the Board. However, solicitor satisfaction surveys were paused for six months during 2022 to prevent 'survey fatigue' so the latest position reported in the SOPOR is as at October 2022.</p> <p>SLAB publishes the results of client survey on its website. The following surveys were published during 2022/23:</p> <ul style="list-style-type: none"> - 2021 Survey of private practice legal aid clients - 2021 Survey of PDSO clients - 2021-22 Report: Civil private practice client survey - 2021 Survey of CLAO clients and contacts. <p>A further survey was carried out during 2022/23, but was published in May 2023:</p> <ul style="list-style-type: none"> - May 2023: Interim research summary - Children's legal assistance. <p>The surveys are designed to inform SLAB's understanding of the strategic environment it is operating in and help support reports and submissions to its committees, the Scottish Government and the Law Society of Scotland. The survey reports include a summary of the results and details of the next steps SLAB will take in response to the findings.</p>	<p>SLAB carries out a range of surveys of clients to obtain their views on the services it provides. The results are used by SLAB to measure performance and help inform strategic decision making.</p>	<p>No significant issues identified.</p>
<p>Arrangements to deliver continuous improvements in priority services</p>	<p>Operational benchmarks are measured and published via SOPOR, reported quarterly and published on SLAB's website. The Executive Team is informed of operational performance on a monthly basis and performance is reported to each meeting of the Board. It provides a short summary of the current position with each project and any issues.</p> <p>There is quarterly reporting to the Board on progress against the annual business plan. The reports give a snapshot of each of the business plan projects to allow Board members to assess whether projects are on track. The projects are grouped under each strategic priority and the information is clearly displayed in a table.</p>	<p>SLAB provides Board members and the public with clear information on operational performance and progress against business plan improvement projects.</p>	<p>No significant issues identified.</p>

7. Use of resources to improve outcomes (continued)

Identified risks in use of resources to improve outcomes arrangements and recommendations for improvement

As a result of our work we have identified risks in the SLAB's use of resources to improve outcomes arrangements. These identified risks have been outlined in the table below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action; see Appendix E for further details.

Use of resources to improve outcomes risks identified	Recommendation for improvement	SLAB response and implementation timescale
<p>1 Integration of budgeting and resource requirements within corporate and business plans – Level 3</p> <p>Internal audit has reported that there is limited integration of budgeting or resource requirements within SLAB's corporate or business plans. It included a recommendation on this in its 2022/23 Strategic and Workforce Planning audit.</p> <p>Internal audit also found that there is no consideration of costs incurred in achieving performance levels, which makes achievement of Best Value difficult to measure. We confirmed this from our review of the corporate and business plans, and performance reports to the Board.</p>	<p>SLAB should ensure its corporate and business plans include consideration of the resources required to deliver its planned objectives.</p>	<p>Management's response</p> <p>Reference to the budget will be included in future Corporate and Business Plans, as a minimum by Directorate. Options to improve the direct linkage from objectives to the budget will be considered as part of the 2024-25 budget process. The business plan will be visible to managerial staff by having access to board and executive team papers which include business plan monitoring information. More use of internal communication will be made. A Communications plan for the Corporate Plan 2023-26 will be agreed which will include a schedule of activity to ensure that the annual business plan and progress against it is well communicated.</p> <p>Responsible officer Corporate Support Manager</p> <p>Implementation date March 2024</p>

7. Commentary on Wider Scope

Climate Change



7. Climate Change

In October 2021, the Scottish Government issued 'Public Sector Leadership on the Global Climate Emergency' guidance. This recommended that public bodies should consider climate risk and adaption; reporting to external frameworks; and climate change performed linked to their objectives to ensure clear accountability on performance.

The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

Our commentary of the SLAB's climate change arrangements

SLAB has a Carbon Management Plan which covered 2015 to 2022. SLAB aimed to reduce its carbon emissions by 10% on a baseline of 2015. This equated to a figure of 42.6 tonnes CO₂e in 2015. The seventh and final year of its Carbon Management Plan concluded in March 2022. During this period, SLAB reduced its carbon footprint by 45.7% on the baseline year with a carbon footprint of 231 tonnes CO₂e, and therefore achieved the target. Most of these savings came from reductions in its energy consumption, gas and electricity. As this period covered the Covid-19 pandemic, during which 95% of SLAB staff were working from home, a new emission source was introduced and accounted for 69.8 tonnes CO₂e of overall emissions.

SLAB is developing a long-term plan for its infrastructure, including heating, cooling, power and water. This focused on a centralised approach with facilities controlling and monitoring these aspects of work.

SLAB will develop a new climate change plan, covering the next five to seven years, once the Sustainable Scotland Network release new guidance and emissions data.

SLAB constantly measures its emissions and reports annually. Energy management software is used to collect and collate data for monitoring and targeting in relation to energy and water consumption and provides analysis and reporting facilities. SLAB propose to use this as a single platform for handling all energy and water data such as utility invoices, manual reads and smart meters. SLAB has also developed Standard Operating Procedures to provide a standardised and formalised process for the collection, analyses and reporting of carbon emissions data.

SLAB has considered the impact of climate change on its financial statements by including information on climate change in the Environmental impact and sustainability section in the performance report. SLAB attempts to control its usage of fuels by having lights on timers or only heating parts of the office in use and priorities public transportation where possible.

The main area of the financial statements where climate change has or is expected to have a material impact is fuel costs for providing heat and light for the offices. At present these are not material to either business unit, but SLAB keeps them under review.

SLAB has included climate change narrative on its energy usage and emission targets and linked it to the Carbon Management Plan in the annual report and accounts (performance report section).

Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

E: Wider scope and Best Value ratings

Appendix A: Draft management representation letter

Tom Reid
Mazars LLP
100 Queen Street
Glasgow
G1 3DN

September 2023

Dear Tom

Scottish Legal Aid Board - Audit for the Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Scottish Legal Aid Board for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the Legal Aid (Scotland) Act 1986 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Legal Aid (Scotland) Act 1986 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Board you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Accountable Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Appendix A: Draft management representation letter

Accounting records

I confirm that all transactions undertaken by the Board have been properly recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all management and Board meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Board's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that the methods, significant assumptions and the data used by the Board in making the accounting estimates, including those measured at fair value are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired, or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Board have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Legal Aid (Scotland) Act 1986 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FRoM).

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

We have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Accountable Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error. I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Board involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Board's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Legal Aid (Scotland) Act 1986 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

I have disclosed to you the identity of the Board's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the statement of financial position date. An impairment review is therefore not considered necessary.

Charges on assets

All the Board's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Valuation of land, buildings and dwellings

I confirm that I am satisfied that the key assumptions feeding into the assessment of the assets are appropriate based on my review.

Appendix A: Draft management representation letter

Right of Use assets and lease liabilities

I confirm that I have satisfied myself that the key judgments and assumptions made in valuing Right of Use assets and corresponding lease liabilities are reasonable and in accordance with IFRS 16. I am satisfied that assumptions around lease terms of implicit leases are reasonable.

Ultimate parent company

I confirm that the ultimate parent company for Scottish Legal Aid Board is the Scottish Government.

Other Matters

I confirm in relation to the following matters that:

- COVID-19 – I have assessed the continued impact of the COVID-19 Virus pandemic on the Board and the financial statements, including the impact of mitigation measures and uncertainties, and am satisfied that the financial statements and supporting notes fairly reflect that assessment.
- Ukraine – I confirm that I have carried out an assessment of the potential impact of the continued conflict in Ukraine on the Board and there is no significant impact on the Board's operations from restrictions or sanctions in place.
- I confirm that I have assessed the impact on the Board of the on-going Global Banking challenges, in particular whether there is any impact on the Board's ability to continue as a going concern, and on the post balance sheet events disclosures.

Going concern

To the best of my knowledge there is nothing to indicate that the Board will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Performance related allocations

I confirm that I am not aware of any reason why the Board's funding allocation limits would be changed.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which Legal Aid (Scotland) Act 1986 and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM) require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Governance Statement

I am satisfied that the Governance Statement fairly reflects the Board's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the Governance Statement.

Appendix A: Draft management representation letter

Annual Report

The disclosures within the Annual Report and the Remuneration and Staff Report fairly reflect my understanding of the Board's financial and operating performance over the period covered by the financial statements.

Other Representations

I confirm that all provisions required under IAS 37 have been included in the financial statements.

Unadjusted misstatements

I confirm that there are no uncorrected misstatements.

Yours faithfully

Colin Lancaster
Chief Executive and Accountable Officer

Appendix B: Draft audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements in the annual report and accounts of Scottish Legal Aid Board for the year ended 31 March 2023 under the Legal Aid (Scotland) Act 1986. The financial statements for the Scottish Legal Aid Fund comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and Notes to the accounts, including significant accounting policies. For the Scottish Legal Aid Board, the financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and Notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;

- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Appendix B: Draft audit report

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, we report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland Website](#).

Risks of material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the central government sector to identify that the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

Appendix B: Draft audit report

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on regularity of expenditure and income

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.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers.

Other information

Appendix B: Draft audit report

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Legal Aid (Scotland) Act 1986 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.
- We have nothing to report in respect of these matters.

Appendix B: Draft audit report

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

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 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Tom Reid (Audit Director)

For and on behalf of Mazars LLP

Mazars LLP

100 Queen Street

Glasgow – G1 3DN

Appendix C: Independence

As part of our ongoing risk assessment, we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Appendix C: Independence (continued)

Fees for work as the SLAB's auditor





We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee on 19 June 2023. We were appointed as auditors for the SLAB in the 2022/23 financial year therefore no comparatives have been provided in the below table. Having completed our work for the 2022/23 financial year, we can confirm that our fees are as follows:

Area of work	2022/23 fees
Auditor remuneration	£69,030
Pooled costs	(£1,090)
Contribution to PABV costs	0
Audit support costs	£1,960
Sectoral cap adjustment	(£9,730)
Total fees	£60,170




Fees for other work

We confirm that we have not undertaken any non-audit services for the SLAB in the year.

Appendix D: Other communications

Other communication	Response
 <p>Compliance with Laws and Regulations</p>	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
 <p>External confirmations</p>	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
 <p>Related parties</p>	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
 <p>Going concern</p>	<p>We have not identified any evidence to cause us to disagree with the Accountable Officer that SLAB will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

Appendix D: Other communications (continued)

Other communication	Response
 <p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
 <p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition, we have assessed the adequacy of the SLAB’s arrangements for preventing and detecting fraud or other irregularities as part of the wider scope audit and concluded that they are sufficiently designed and implemented.</p> <p>We will obtain written representations from management, and Those Charged With Governance, confirming that:</p> <ol style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ol style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.
 <p>National Fraud Initiative</p>	<p>The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise led by Audit Scotland and overseen by the Public Sector Fraud Authority. NFI uses data analytics to compare information held on different systems by different public bodies to highlight potential fraud or error.</p> <p>SLAB submitted creditors, pension and payroll data for the 2022/23 exercise and received matches for investigation in January 2023. We have monitored SLAB’s participation and progress during the 2022/23 audit. SLAB has made good progress with pensions and payroll matches, processing all its very high risk matches in these categories with fraud or error identified. Work is ongoing on creditors matches with eight very high-risk matches yet to be followed up.</p>

Appendix E: Wider scope and Best Value ratings

We need to gather sufficient evidence to support our commentary on the SLAB's arrangements and to identify and report on any risks. We will carry out more detailed work where we identify significant risks. Where significant risks are identified we will report these to the SLAB and make recommendations for improvement. In addition to local risks, we consider challenges that are impacting the public sector as a whole.

We have assigned priority rankings to each of the risks identified to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. The table below describes the meaning behind each rating that we have awarded to each wider scope area based on the work we have performed.

Rating	Description
Level 1	The identified risk and/or significant deficiency is critical to the business processes or the achievement of business strategic objectives. There is potential for financial loss, damage to reputation or loss of information. The recommendation should be taken into consideration by management immediately.
Level 2	The identified risk and/or significant deficiency may impact on individual objectives or business processes. The audited body should implement the recommendation to strengthen internal controls or enhance business efficiency. The recommendations should be actioned in the near future.
Level 3	The identified risk and/or significant deficiency is an area for improvement or less significant. In our view, the audited body should action the recommendation, but management do not need to prioritise.

Tom Reid (Audit Director)

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