

Scottish Legal Aid Board

2016/17 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the Scottish Legal Aid Board and the Auditor General for Scotland

14 September 2017

Who we are

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

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



About us

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

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

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

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Key messages

Audit of the 2016/17 financial statements

- 1 The financial statements of the Scottish Legal Aid Board give a true and fair view of the financial position and their expenditure and income.
- 2 The expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance.
- 3 The other information in the annual report and accounts was consistent with the financial statements and prepared in accordance with legal requirements.

Financial management

- 4 We concluded that the Scottish Legal Aid Board has effective arrangements in place for financial management.
- 5 There was good investigation of NFI matches with all matches investigated well ahead of the timetable.

Financial sustainability

- 6 We concluded that the Scottish Legal Aid Board has adequate financial planning arrangements in place.

Governance and transparency

- 7 We concluded that the Scottish Legal Aid Board has effective governance arrangements in place.

Value for money

- 8 We concluded that the Scottish Legal Aid Board has an effective performance management framework in place which supports the achievement of value for money and continuous improvement in the way services are delivered.

Introduction

1. This report is a summary of our findings arising from the 2016/17 audit of the Scottish Legal Aid Board (SLAB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the February 2017 meeting of the Audit Committee. This report comprises:

- an audit of the annual report and accounts
- consideration of the wider dimensions set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: Code of Audit Practice 2016

3. The main elements of our audit work in 2016/17 have been:

- an interim audit of SLAB's main financial systems and governance arrangements; and
- an audit of SLAB's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions.

4. SLAB is responsible for preparing financial statements that give a true and fair view, for the accuracy of the other information in the annual report and accounts, and for establishing effective arrangements for governance, propriety and regularity that enable the board to successfully deliver its objectives.

- 5.** Our responsibilities as independent auditor are established by the Public Finance and Accountability (Scotland) Act 2000 and the [Code of Audit Practice 2016](#), supplementary guidance and, guided by the auditing profession's ethical guidance.
- 6.** These responsibilities include giving independent opinions on the financial statements, regularity, the remuneration and staff report, the performance report and the governance statement. We also review and report on the arrangements within SLAB to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.
- 8.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 19\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 9.** Communication in this report of matters arising from the audit of the annual report and accounts or of risks or of weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both the board and the Auditor General for Scotland and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 12.** We would like to thank all management and staff who have been involved in our work for their cooperation and assistance during the audit.

Part 1

Audit of 2016/17 financial statements



Main judgements

The financial statements of SLAB for 2016/17 give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

The expenditure and income in the financial statements were incurred or applied in accordance with applicable enactments and guidance.

The other information in the annual report and accounts was consistent with the financial statements and prepared in accordance with legal requirements.

Unqualified audit opinions

13. The annual report and accounts for the year ended 31 March 2107 were approved by the Board on 24 July 2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements;
- an unqualified opinion on regularity of expenditure and income; and
- an unqualified audit opinion on the remuneration and staff report, performance report and governance statement.

14. Additionally, we are satisfied that there are no matters which we are required by the Auditor General to report by exception.

Submission of annual report and accounts for audit

15. We received the unaudited financial statements on 9 June 2017, in line with our agreed audit timetable.

16. The working papers provided with the unaudited financial statements were of a good standard and finance staff provided support to the audit team which helped ensure the final accounts audit process ran smoothly.

Risk of material misstatement

17. [Appendix 2 \(page 21\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team.

The annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

Materiality

18. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

19. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in [Exhibit 2](#). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

20. On receipt of the annual report and accounts we reviewed our original materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£1.300 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality, this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of overall materiality.	£0.970 million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at % of overall materiality.	£ 13 thousand

Source: Audit Scotland

Evaluation of misstatements

21. There were a small number of adjustments to the unaudited financial statements arising from our audit. Adjusting errors totalled £10million but these mainly related to a transposition error which had no impact on outturn. All errors have been amended in the audited financial statements.

Significant findings from the audit

22. International Standard on Auditing (UK and Ireland) 260 requires us to communicate significant findings from the audit to you. These are summarised in [Exhibit 3](#). Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in [Appendix 1 \(page 20\)](#) has been included.

Exhibit 3

Significant findings from the audit of financial statements

Issue	Resolution
<p>1. Going Concern</p> <p>Due to the value of the unbilled provision (£57 million) and the pension fund liability (£105 million) the Scottish Government annually provide SLAB with a letter of comfort to give assurance that they will continue to meet SLAB funding requirements. This letter is typically provided at the conclusion of the audit.</p>	<p>The letter was received on 30 June 2017.</p> <p>Appendix 1 Action Point 1</p>
<p>2. Changes to the performance and accountability report</p> <p>Our audit identified a small number of presentational issues within the Performance and Accountability Reports. While the content was in line with the requirements of the Financial Reporting Manual (FReM) the structure required amendment.</p>	<p>All changes were made to the revised accounts received on 13 July 2017.</p> <p>Appendix 1 Action Point 2</p>

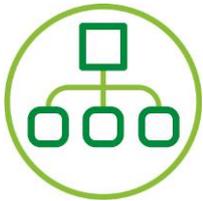
Source: Audit Scotland's Review of Financial Statements

Other findings

23. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited financial statements.

Part 2

Financial management



Main judgements

SLAB had effective overall management of the 2016/17 budget.

Systems of internal control operated effectively in 2016/17.

There was good engagement with the NFI exercise at this early stage with all matches investigated and resolved.

Finance team members have appropriate skills, capacity and capability to support SLAB.

Financial performance in 2016/17

24. The main financial objective for SLAB is to ensure that the financial outturn for the year is within the budget allocated by Scottish Ministers.

25. The Board is funded by Grant in Aid (GIA) for the administration costs of the organisation. The financial target is to operate within this GIA funding allocation. On a cash basis the total operating costs were £11.7 million and, after accounting adjustments, the Statement of Comprehensive Net Expenditure (SCNE) shows net operating costs of £15.5 million.

26. The Scottish Legal Aid Fund is a non cash limited fund. This means that Scottish Government has a statutory obligation to provide funding for any amounts due to be paid to any solicitor or counsel out of the fund. Therefore, while the Scottish Government sets an annual budget which it monitors throughout the year, there is no limit on what will be due for payment during the year.

27. Scottish Government set a legal aid funding provision of £126.1 million for 2016/17. SLAB established an expenditure forecast at the start of the year of £135.5 million based on its forecasting model. The actual cash spend for the year was £135.7 million.

28. The financial performance of the Board against Departmental Expenditure Limits (DEL) is shown in [Exhibit 4](#).

Exhibit 4

Performance against DEL in 2016/17

Performance	Initial budget £m	Final budget £m	Actual outturn £m	Overspend/ (underspend) £m
Resource DEL	10.896	10.745	10.692	(0.053)
Capital DEL	0.100	0.100	0.130	0.03
Total DEL	10.996	10.845	10.822	(0.023)

Internal controls

29. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of the financial statements. Our objective is to gain assurance that SLAB has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

30. Our findings were included in an interim audit report presented to the Audit Committee on 22 May 2017. We concluded that the controls were operating effectively. No significant internal control weaknesses were identified during the audit which could affect SLAB's ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

Budgetary processes

31. We also reviewed SLAB's budgetary processes and budget monitoring arrangements. From our review of budget monitoring reports and Board papers, we confirmed that senior management and members receive regular, comprehensive and up to date financial information on the financial position.

32. We concluded that SLAB has strong budgetary monitoring and control arrangements that allow both members and officers to carry out effective scrutiny of its finances.

Prevention and detection of fraud and irregularity

33. We assessed SLAB's arrangements for the prevention and detection of fraud. Our audit work covered a number of areas such as whistleblowing and review of the counter fraud strategy.

34. SLAB have two internal investigation teams which are responsible for carrying out investigations of solicitors registered to provide legal aid and the claimants of legal aid to ensure that payments are made in line with the legal aid regulations.

35. The Assisted Persons Investigations team ensure that claimants meet the financial criteria for receiving legal aid. During 2016/17 there were 604 referrals for investigation (2015/16:613). The number of cases which were referred to the Crown Office and Procurator Fiscal Service increased to 18 from 6 in 2015/16. The estimated savings from the work of this team is 640k (2015/16:625k).

36. The Compliance and Investigation team is responsible for carrying out compliance reviews of firms and solicitors registered to provide legal aid. During 2016/17 there were 164 reviews carried out (2015/16:154) resulting in reimbursements to SLAB of 129k (2015/16:57k).

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

37. We concluded that SLAB is proactive in promoting fraud awareness and had appropriate and adequate arrangements in place for fraud detection and prevention during 2016/17.

National Fraud Initiative

38. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or error ([Exhibit 5](#)).

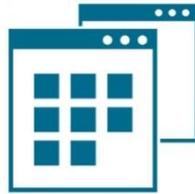
Exhibit 5

Total number of matches



66

Number recommended for investigation



7

Completed/closed investigations



66

39. All matches have been investigated and completed well ahead of the deadline for the exercise. From our review of the self assessment checklist completed by Internal Audit and the audit committee there is clear evidence that NFI is given sufficient attention within the organisation.

Standards of conduct and arrangements for the prevention and detection of bribery and corruption

40. We have reviewed the arrangements in place to maintain standards of conduct including the Staff Handbook and Members' Codes of Conduct. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

41. A register of interest is completed by all Board members and these are publically available on the SLAB website.

42. Based on our review of the evidence we concluded that SLAB has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues that we need to bring to your attention.

Part 3

Financial sustainability



Main judgements

SLAB has adequate financial planning arrangements in place based on their Strategic Plan.

There are no significant concerns about the overall financial position of SLAB.

2016/17 financial position

43. The Statement of Financial Position summarises what is owned and owed by SLAB. This shows taxpayers' equity – an accounting measurement of the amount invested that has continuing public benefit. It shows how much of this has arisen from the application of revenues and that which has resulted through changes over time in the value of physical assets.

44. The financial statements show that:

- the Scottish Legal Aid Fund has net liabilities of £55.2 million, a decrease of £2.1million from 2015/16. This is largely attributable to a decrease in the provision for granted legal aid cases.
- the Scottish Legal Aid Board has net liabilities of £81.7 million, an increase of £18.1 million from 2015/16. This is partly attributable to the increase in the pension scheme's net liability from £69.5 million to £93.0 million offset by an increase in the value of the Board's property by around £5.0 million.

45. As a result of this net liability position, on an annual basis, the Scottish Government provide written assurance that they will continue to meet the statutory obligation to provide funding for future sums due out of the legal aid fund and the pension obligations arising from the pension scheme. This assurance allows the financial statements to be prepared on a going concern basis.

Financial Planning

46. SLAB presented its 2017/18 draft budget paper to its March 2017 board based on a resource allocation of £11.12 million, which is £0.35 million greater than the initial 2016/17 budget allocation, due to monies which are normally allocated later in the financial year.

47. [Exhibit 6](#) shows the 2016/17 outturn position compared to the estimated position for the next 2 years. As shown, the majority of the Board's running costs are related to expenditure on staff with these costs expected to increase over time as a result of progression and pay policies. After achieving cost efficiencies in previous years there is limited scope for SLAB to create savings in future years.

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.

Exhibit 6

Grant in Aid estimates to 2018/19

GIA Budget	2016/17 (actual)	2017/18	2018/19
	£m	£m	£m
Total Staff Costs	9,685	10,049	10,222
Total Running Costs	1,932	1,606	1,606
Total Capital Costs	130	100	100
Total Grant in Aid Required	11,747	11,755	11,928

Source: SLAB GIA Budget Paper March 2017

48. The legal aid forecasts are based on a range of assumptions and estimates relating to historic trends and data around the volumes, costs and duration of cases. During the year SLAB carry out three exercises to revisit and revise the forecast based on up to date information to ensure that the forecast is as accurate as possible. [Exhibit 7](#) shows the indicative figures that have been estimated using the model.

Exhibit 7

Legal Aid Fund Forecast to 2019/20

Expenditure Forecast	2016/17(actual)	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Criminal Legal Assistance	85.1	82.6	81.7	82.1
Civil Legal Assistance	44.7	44.4	42.0	42.3
Children's Legal Assistance	5.4	5.2	5.1	5.1
Contempt/Miscellaneous	0.5	0.2	0.2	0.2
Total Legal Aid Actual/Forecast	135.7	132.4	129.0	129.8

Source: SLAB Legal Aid Fund Forecast Paper March 2017

Medium to long term financial planning

49. We reviewed the financial planning systems and assessed how effective they are in identifying and addressing risks to financial sustainability across the medium and long term.

50. We recognise that SLAB is mainly funded from a Scottish Government budget allocation for the Fund and through Grant-in-aid for the administration costs of SLAB. While this is set on a year-on-year basis by the Scottish Government, SLAB prepare medium to long term financial plans based on sensitivity analysis and scenario planning for possible budget changes.

51. There a number of reviews and changes currently occurring within the Justice system which could lead to significant legislative changes. These include:

- the implementation of the Criminal Justice (Scotland) Act 2016
- legal aid fee reform
- police station and court duty provision
- Criminal Code of Practice and criminal fee reform.

52. There is uncertainty around the possible outcomes of these reviews and the resulting impact on costs. While preparing their medium to long term financial forecasts, SLAB includes the potential implications where possible.

Legal Aid Review

53. In February 2017, the Minister for Community Safety and Legal Affairs announced an independent strategic review of Legal Aid in Scotland. SLAB will provide the review panel with data and other evidence to aid the panel's understanding of the legal aid system and the issues under consideration. SLAB has agreed to set up an internal working group that will be consulted on the review as it progresses. Regular updates are provided to the Board.

Part 4

Governance and transparency



Main judgements

SLAB has effective governance arrangements in place.

SLAB is open and transparent in the way it conducts its business.

Internal audit operates accordance with the Public Sector Internal Audit Standards.

Governance arrangements

54. In September 2010 the Auditor General published a national report on the role of boards. The report highlighted a number of key messages on the role of boards, board members' skills and expertise and how they are accountable to the Scottish Government and the Scottish Parliament. A follow up of this report was carried out in 2016/17 as part of our review of governance arrangements.

55. We concluded the SLAB has strong governance arrangements in place which support good governance and accountability.

Risk Management

56. During 2016/17 KPMG were employed to carry out a review of SLAB's approach to risk, including culture, procedures and practice. KPMG have been working with the Executive team to help produce a Risk Management Policy and to support the organisation to develop the focus and approach of Internal Audit.

The Annual Governance Statement

57. Under the Treasury's Financial Reporting Manual (FRoM), SLAB must prepare an annual governance statement within the Annual Report and Accounts. Guidance is set out within the Scottish Public Finance Manual (SPFM) for the content of the statement and provides assurances around the achievement of the organisation's strategic objectives.

58. We concluded that the annual governance statement 2016/17 complies with the guidance issued by the Scottish Ministers and based on our knowledge and work performed presents a comprehensive picture of governance arrangements and matters.

Internal audit

59. Internal audit provides SLAB and Accountable Officer with independent assurance on SLAB's overall risk management, internal control and corporate governance processes.

60. The internal audit function is carried out by an internal team. We carried out a review of the adequacy of the internal audit function and concluded that it operates

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

in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

61. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. We also considered internal audit report findings as part of our wider dimension work.

Transparency

62. Transparency means that the public, in particular have access to understandable, relevant and timely information about how the board is taking decisions and how it is using resources.

63. There is evidence from a number of sources which demonstrate the Board's commitment to transparency including the availability of a wide range of information and documents on the website.

64. Additionally, while formal Board and committee meetings are held in private due to the nature of SLAB's business, the minutes of these meetings are publicly available on the website.

65. Overall, we concluded that the Board conducts its business in a sufficiently open and transparent manner given the nature of their business.

Part 5

Value for money



Main judgements

SLAB has a well developed performance management framework in place.

Best Value is well embedded in the organisation.

Performance management

66. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. The Auditor General may require that we consider whether accountable officers have put in place appropriate arrangements to satisfy their corresponding duty of Best Value. Where such requirements are not specified we may, in conjunction with SLAB agree to undertake local work in this area.

67. Since 2009, SLAB's Internal Audit has been performing an annual review of Best Value, adapting and adopting Audit Scotland's Best Value toolkit. The most recent review took place in April 2017. As a result of this regular assessment best value is well embedded into SLAB's processes and procedures, with outcomes reported regularly to the Leadership Team and the Board.

68. The performance of SLAB is monitored by the Board against a number of performance targets which support the delivery of the Scottish Government's national performance framework. These targets are set out in SLAB's Corporate Plan.

69. Performance is measured using headline indicators which cover timeliness and accuracy targets for each legal aid application and account type. Corporate targets are also in place for handling general correspondence, complaints and payment for goods and services. Performance against these targets is provided to the Leadership Team via monthly departmental updates and to the Board via the Performance Report.

70. We note that for 2016/17 there has been achievement of all the timeliness targets. Accuracy targets were achieved overall but missed for children's accounts by 3% (target of 97%).

71. A fundamental review of SLAB's performance framework and its Key Performance Indicators (KPIs) has been carried out and will be the basis of a new approach to performance measurement and reporting from April 2017. A balanced scorecard approach will be used to support SLAB's strategic objectives including the following 4 elements:

- Operational performance
- Resources

Value for money is concerned with using resources effectively and continually improving services.

- Corporate obligations and wider SG objectives
- Delivery of corporate and business plan priorities.

72. We concluded that SLAB has an effective performance management framework in place which supports the achievement of value for money and continuous improvement in the way services are delivered.

National performance audit reports

73. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the board. These are outlined in [Appendix 4](#) accompanying this report.

Good practice

74. SLAB has arrangements in place for considering and reviewing national reports including any locally agreed actions. A regular update is provided to audit committee members on recent Audit Scotland reports.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
9	<p>1. Going concern</p> <p>Due to the value of the unbilled provision (£57 million) and the pension fund liability (£105 million) the Scottish Government annually provide SLAB with a letter of comfort to give assurance that they will continue to meet SLAB funding requirements.</p> <p>Risk</p> <p>The board may not receive the appropriate assurances from the Scottish Government which would require the going concern statement in the accounts to be revised.</p>	<p>It is recommended that the Scottish Government are made aware of the importance of providing some form of comfort as soon as possible after the completion of the audit.</p>	<p>This will be highlighted as part of our regular ongoing meetings with Scottish Government.</p> <p>Vince Simmons May 2018</p>
9	<p>2. Management Commentary changes</p> <p>A number of presentational changes were required to the performance and accountability reports. While the content was in line with the requirements of the Financial Reporting Manual (FReM) the structure required amendment.</p> <p>Risk</p> <p>There is a risk that requirements of the FReM are not met.</p>	<p>It is recommended that any future changes to the FReM are fully understood during the accounts preparation and planning process.</p>	<p>Following our annual review of FReM changes, we will liaise with Audit Scotland on how they impact our Annual Report.</p> <p>Graeme Hill April 2018</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual report and accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit Risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p>Audit testing was satisfactory with no issues to report.</p>
<p>2 Risk of fraud over income and expenditure</p> <p>Under ISA240, there is an inherent risk of fraud over the recognition of revenue. If the auditor is able to conclude that there is no risk of material misstatement due to fraud relating to revenue recognition then this presumption can be rebutted.</p> <p>Scottish Legal Aid Board receives the majority of its income from Scottish Government grant in aid funding with very little coming from other sources.</p> <p>ISA240 and the Code of Audit Practice require auditors to consider the risk of fraud over certain types of public sector expenditure. This includes grants and other claims made by individuals and organisations on the public purse.</p>	<p>Develop understanding of the process for drawing down and recognising income from Scottish Government to determine the risk of fraud.</p> <p>Controls testing over expenditure systems.</p> <p>Detailed testing of expenditure transactions focusing on the areas of greatest risk.</p>	<p>Audit testing was satisfactory with no issues to report.</p>

Audit Risk	Assurance procedure	Results and conclusions
<p>3 Estimation of legal aid provision</p> <p>There is a significant degree of estimation in the measurement and valuation of the provision for unbilled live cases. The amount recognised is based on a model which uses a range of data. This estimation represents an increased risk of misstatement in the financial statements.</p>	<p>Develop an understanding of the process for calculating the provision.</p> <p>Review the reasonableness and accuracy of the assumptions and data used.</p> <p>Focused substantive testing of key areas.</p>	<p>Assurance obtained over the robustness of the provision model.</p> <p>Audit testing was satisfactory with no issues to report.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>4 Financial sustainability</p> <p>Grant in aid funding from Scottish Government has decreased in recent years with a funding gap of £7.7m identified for 2016/17. The long term funding of legal aid and the impact of future reform may have an impact on the ability of SLAB to meet this shortfall while continuing to deliver efficiency savings.</p>	<p>We will monitor SLAB's long term financial planning and progress towards savings targets.</p>	<p>The process for preparing financial plans covering the medium to long term are well developed and demonstrate good practice.</p>
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Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update
			 Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review
			 Managing new financial powers: an update

Central Government relevant reports

[Common Agricultural Policy Futures programme: an update](#) – May 2016

[The National Fraud Initiative in Scotland](#) – June 2016

[Audit of higher education in Scottish universities](#) – July 2016

[Supporting Scotland's economic growth](#) – July 2016

[Maintaining Scotland's roads: a follow-up report](#) – August 2016

[Superfast broadband for Scotland: a progress update](#) – August 2016

[Scotland's colleges 2016](#) – August 2016

[Social work in Scotland](#) – September 2016

[Scotland's new financial powers](#) – September 2016

[i6: a review](#) – March 2017

[Managing new financial powers: an update](#) – March 2017

Scottish Legal Aid Board Scottish Legal Aid Board

2016/17 Annual Audit Report

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