

**THE LEGAL SERVICES  
OMBUDSMAN FOR ENGLAND  
AND WALES**

Annual Report and Accounts for  
2010 - 11

# The Legal Services Ombudsman for England and Wales

## Annual Report and Accounts for the year ended 31 March 2011

Report presented to Parliament pursuant to Schedule 3, paragraph 5 (4) and accounts presented to Parliament pursuant to Schedule 3, paragraph 6 (5) of the Courts and Legal Services Act 1990

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**2010/11 OLSO Annual Report**

***“A New Era for Legal Complaints Handling”***

Annual Report and Accounts

The Legal Services Ombudsman for England and Wales 2010/11

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**John Norton, Legal Services Ombudsman for  
England and Wales**

## **Foreword:**

The Lord Chancellor and Secretary of State for Justice (the Secretary of State) appointed me as Legal Services Ombudsman on the 3 March 2011 following the departure of my predecessor, Zahida Manzoor CBE.

I am delighted to be presenting my first Annual Report and Accounts to you. It covers the period 1 April 2010 to 31 March 2011.

It is over twenty years since the Legal Services Ombudsman's Office (OLSO) was first established in Manchester after the passing of the Courts and Legal Services Act 1990. That era is now coming to an end as legal complaints handling passed to the new office of the Legal Ombudsman in Birmingham on 6 October 2010.

The Legal Services Act 2007 created two new organisations; the Legal Services Board (LSB) and the Office for Legal Complaints (OLC). The Act requires the current legal professional bodies to separate their functions as both Approved Regulator and representative of their professions and will see the removal of complaint handling from them. The LSB has the oversight of the Approved Regulators who have responsibility for the regulation of the conduct of legal professionals. The LSB also has the responsibility for the new complaints-handling body; the OLC.

My primary role as the Legal Services Ombudsman is to ensure there is no detriment to the consumer as we complete the cases generated under the old system and allow the Legal Ombudsman to focus on new complaints against legal practitioners arising after the 6 October 2010.

To this end the OLSO function transferred from Manchester to the offices of the new Legal Ombudsman in Birmingham. I have a small discrete team of investigators concentrating on resolving those complaints made under the old regime. Whilst the OLSO function is co-located with the new Legal Ombudsman service I work independently from the Legal Ombudsman and all the staff are formally seconded from the Legal Ombudsman.

A handful of staff were retained in the Manchester office until the end of May 2011 this was to ensure that there was a smooth transfer of OLSO cases between the two sites. I am particularly grateful to those Manchester staff for participating in the training of their colleagues in Birmingham and the conscientious way they have continued to work.

The staff in Manchester worked diligently over the last year under increasing pressure as efforts were made to close the function and keep the backlog of cases to a minimum and for their efforts I offer my thanks and gratitude.

The transfer of the function to Birmingham has allowed the remaining work of the OLSO to be dealt with by staff seconded from the new Legal Ombudsman. This has given us the opportunity to utilise the latest developments that the Legal Ombudsman is using to promote efficiency and provide a better customer experience.

The staff working on the remaining OLSO cases will benefit from a paperless working environment, an efficient computerised case management system and a more collaborative working style.

The staff whilst following all the best practice developed by the Manchester Office will attempt to use the skills developed by the Legal Ombudsman in trying to informally resolve cases between the parties. We will achieve this whilst ensuring the high quality of the work produced by the OLSO remains.

Over the coming months my team and I at OLSO will be working hard to make sure that outstanding OLSO cases are completed quickly and equitably. By 31 December 2011 the work of the OLSO will be finished, completing a successful transition to the new era of legal complaints handling.



John Norton  
Legal Services Ombudsman for England and Wales  
30<sup>th</sup> June 2011

## **Office of the Legal Services Ombudsman Remit and Powers:**

The Secretary of State for Justice appoints the Legal Services Ombudsman in accordance with Section 21 of the Courts and Legal Services Act 1990. The Ombudsman cannot be a qualified lawyer and is completely independent of the legal profession.

As Ombudsman, I oversee the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys, trade mark attorneys and law costs draftsmen by the eight professional bodies responsible for setting and maintaining standards of conduct and service within the legal profession.

Consumers of legal services must first make their complaint to the relevant Approved Regulator, the:

- Law Society (Legal Complaints Service and Solicitors Regulation Authority).
- General Council of the Bar (Bar Standards Board).
- Council for Licensed Conveyancers.
- ILEX Professional Standards Ltd (Institute of Legal Executives).
- Chartered Institute of Patent Attorneys.
- Institute of Trade Mark Attorneys.
- Association of Law Costs Draftsmen.
- Association of Chartered Certified Accountants
- Institute of Chartered Accountants of Scotland

If consumers are not satisfied with the way the Approved Regulator has dealt with their complaint, they may refer the matter to me for investigation. An allegation is properly made if it is in writing and made by any person affected by what is alleged in relation to the complaint concerned or, in certain cases, by some representative. I can also investigate the matter to which the complaint relates i.e. conduct an original investigation.

On October 6 2010 the Secretary of State removed my previously held power to consider conduct complaints and on 1 January 2011 the Secretary of State removed the power to recommend that the Approved Regulators reconsider service complaints. This brought the OLSO function in line with the new Legal Ombudsman who deals exclusively with service complaints. The power to reconsider service complaints was a power that the Legal Services Ombudsman frequently used to drive best practice within the complaints handling of the Approved Regulators. As a result of the complaints handling function moving to the Legal Ombudsman, this requirement came to an end.



I can however still recommend that an Approved Regulator and / or the lawyer complained about pay compensation for loss, distress or inconvenience.

In conducting investigations I have the same powers as the High Court.

My Office is an Associated Office of the Ministry of Justice (MoJ).

## **The Miners:**

In the late 1990's, following court action against the British Coal Corporation, a government scheme was launched to allow personal injury claims by miners to be dealt with outside the courtroom. The scheme dealt with claims for chronic obstructive pulmonary disease (COPD), a form of lung disease that can be caused by the inhalation of coal dust, and vibration white finger (VWF), a disease of the fingers caused by vibrating mining tools.

A key element of the government scheme was that all costs were recoverable from public funds. However, many miners did not get 100% of the compensatory award they were entitled to. This was because their lawyers had deducted legal fees, trade union fees, insurance premiums or other referral fees from their award.

In 2005, a specialist team at this Office commenced investigations into complaints from miners. Those investigations revealed a number of concerns about the way in which the Law Society had handled the original investigations. In April 2006, my predecessor Zahida Manzoor CBE issued a Special Report highlighting those concerns. She recommended that the Law Society review their approach to miners' complaints. Continued pressure and adverse reports from this Office led to significant progress in ensuring miners' cases were investigated appropriately and consistently. As a result of the subsequent work undertaken by this Office, the Law Society and the Legal Complaints Service (LCS), millions of pounds were repaid which had been wrongly deducted by lawyers from compensatory awards.

In the year 2008/09, the LCS introduced a new scheme to deal with the remaining miners' complaints about deductions from compensation. Law firms were persuaded to "write-out" to former mining clients inviting them to make a complaint. As an incentive to law firms to take part in the scheme, the LCS agreed that law firms would only be required to write to miners at the last known address and that a deadline of three months for making a complaint could be imposed. Failure to comply with that deadline resulted in the miner losing the right to complain either to the law firm concerned or the LCS.

In her 2008/09 Annual Report, my predecessor expressed her reservations about the level of self-policing that the LCS plan involved and the potential loss of oversight. Those reservations have, to some extent, been borne out. In the past year, a number of miners and their representatives have complained to this Office about the LCS refusal to accept their case for investigation on the basis that they had failed to complain within the deadline given in the "write-out" letter.

The LCS held their last "write out" in October 2010 to try and capture all miners who had been adversely affected and complaints in relation to these claims are still arriving at my office.

I, like the previous Legal Services Ombudsman am concerned that the agreements between the LCS and individual law firms fettered the inherent

discretion of the LCS to accept complaints for investigation. I was also troubled that complainants found themselves bound by the terms of an agreement to which they were not a party. Consequently, I made recommendations in individual reports that the LCS either reconsider their decision or compensate the complainant for closing off an avenue of redress.

The LCS considered the imposition of a time limit by law firms to be justifiable. Nevertheless, they have, in most cases, been persuaded to accept my recommendations. In other cases, I have been heartened to see that the law firm concerned has refunded deductions without prompting.

# **Office of the Legal Services Ombudsman – Management Commentary**

## **Business Strategy**

The focus for this financial year has been the management of an increasing workload with a reducing staff resource as the function approaches closure. The staff continue to follow the strategic objectives set for the organisation of impartiality and fair and consistent decision making in the processing of complaints; promoting best practice in complaint-handling by the legal professional bodies; ensuring accessibility and transparency of procedures at OLSO; influencing the approved ability to maintain and improve standards of legal services; and drawing attention to issues within the legal system arising from the work of the Office.

## **Quality Assurance Framework**

The quality assurance framework developed in the Manchester office has continued to be used to monitor the completion of cases within that office.

The Framework demonstrates the focus on quality throughout my Office; and lays down the standards to be achieved in report writing.

As part of the quality process and to ensure consistency in casework the Legal Adviser has undertaken audits on 10% of all cases. Higher percentages are audited when new caseworkers have been recruited to ensure casework consistency and quality. Any learning points identified are fed back appropriately, in a constructive way, as part of our commitment to the continuous improvement of our service.

A new quality assurance process has been developed for the function as it moved to Birmingham, more suitable to staff new to the function and using a computerised management system, this also incorporates the Manchester framework. The cases dealt with in Manchester were quality assured under Manchester's established 10% audit process. In Birmingham, the quality assurance check was initially a 100% check of all files, reducing to a minimum of 10% as the staff became familiar with the demands of the role.

## **Judicial Reviews and other Legal Challenges**

Another measure of the quality of my investigations comes through the right of consumers and the legal professional bodies to judicially review my decisions in the courts. This is a review of a decision by a court, authorised and conducted under the Judicial Review Procedure Act. It is primarily concerned with the fairness of the procedures used to make a decision, whether or not the decision maker was acting within his or her jurisdiction, and errors of law. I am pleased to record that all applications to challenge decisions in the court have been unsuccessful.

Where, for example, a consumer makes an application for Judicial Review,

and the High Court refuses the application on written submissions, I will not normally seek an order for costs if the application is unsuccessful. However, I have a duty to protect taxpayers' money, and therefore, if a written application is renewed by way of an application for an oral hearing and if that application is refused; I will seek an order for costs from the court to be made against the applicant. In cases from 2004/05 to 2010/11, 65 judicial reviews and other challenges have been defended.

### Turnaround times

When a case is closed we measure the time taken from when the professional body's file was received to the date of closure. OLSO has a MoJ target of completing 90% of investigations within six months of receipt of the professional body's file. Additionally, I have set internal turnaround targets which we strive to achieve. These internal targets are:

- 90% completed within 4 months
- 100% completed within 6 months

### Service Standards

	2008/09	2009/10	2010/11
<b>Respond to all correspondence within 10 days</b>	<b>97%</b>	<b>99%</b>	<b>97%</b>
<b>Answer telephone calls within 15 rings</b>	<b>96%</b>	<b>96%</b>	<b>95%</b>
<b>Respond to 95% of consumer applications within 10 days</b>	<b>99%</b>	<b>99%</b>	<b>99%</b>
<b>Advise consumers in 95% of cases within 10 days of receipt of professional body file whether the case is accepted for investigation</b>	<b>96%</b>	<b>95%</b>	<b>96%</b>

### Internal Complaints

In order to ensure all service complaints are dealt with as quickly and efficiently as possible an e-leaflet was produced explaining service complaints which is sent to all complainants who use our service on request, this explains what a service complaint is, how we will deal with it and what time parameters we aim to hit in dealing with the complaint. Whilst we have been able to maintain service standards for this year it is clear that the backlog of cases transferred from Manchester are already in some cases beyond the closure targets set by the MoJ. This position is disappointing and will mean that service standards will be impossible to maintain in the new financial year.

## **Financial Management**

The Director General, Justice Policy Group manages the funding to OLSO on an annual basis. A comprehensive budgeting system is operated with an annual budget agreed and reviewed regularly by MoJ. We monitor and analyse staff resources and associated costs of carrying out our functions so that any appropriate action can be taken to ensure value for money.

The Memorandum of Understanding (MoU) between the MoJ, OLC and LSO, in place from 3 March 2011, and the MoJ and OLSO prior to that date, sets out the financial delegated limits for the LSO. Expenditure is overseen by MoJ Corporate Finance colleagues and any unforeseen costs, i.e. those not detailed in the MoU, I seek prior MoJ approval for spend.

As the manager of the budget and payments on behalf of my Office the MoJ is committed to the prompt payment of suppliers. Payments are normally made as specified in the contract. If there is no contractual provision or other understanding, they are paid within 30 days of the receipt of the goods or services, or on the presentation of a valid invoice or other similar demand, whichever is the later. Statistics on payments to suppliers can be found in the MoJ Resource Accounts. Separate statistics are not available for OLSO.

As far as I am aware, there is no relevant audit information of which the entity's auditors are unaware; and the Permanent Secretary and I have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information; and to establish that the entity's auditors are aware of that information.

The Ombudsman is directed to produce Annual Accounts which are prepared by the Ministry of Justice. The Permanent Secretary is the Accounting Officer

## **Staffing and Recruitment**

Staffing at the Office of Legal Services Ombudsman has been reducing over the year as clarity regarding the detail of the transition to the new complaints handling regime became clear. At the commencement of the financial year the office contained 10.5 full time equivalent staff, supported by a panel of self employed home workers.

As a result of the transition staff have left the organisation and at the closure of the Manchester office 7 staff were left in post, 3 of which were agency staff

From the 3<sup>rd</sup> March 2011 the OLSO function in Birmingham consists of 14.65 full time equivalents (seconded staff from the Legal Ombudsman) plus the Ombudsman. At the end of the year the staffing remained at 14.65 FTE's.

## **Information Assurance**

We have followed Cabinet Office guidelines on data handling. The previous Casework Management database used up until 3 March 2011 had previously

been audited by the MoJ in respect of security controls and procedure. From the 3 March 2011 the function in Birmingham uses an adapted version of the Legal Ombudsman's case management system. KPMG have undertaken internal audits of the case management system which the OLSO function in Birmingham utilises and was approved by a CLAS (CESG Listed Adviser Scheme) consultant from the CESG (Communications-Electronics Security Group) register. The case management system has also been independently penetration tested by NCC (National Computing Centre).

The LeO system is RMADS complainant. The RMADS is the Risk Management Accreditation Document Set – it is a control document that articulates all of the processes, controls and mitigations in place to protect OLSO systems.

### **Data Protection and Freedom of Information**

We have produced a Publication Scheme ensuring that a significant amount of information is readily available to the consumer.

Since 2004/05 there has been a general trend upwards in the number of requests dealt with under the FOIA. In 2010/11 the Office dealt with a total of 37 requests under the FOIA and Data Protection Act 1998; up 7 on the previous year 2009/10. The number of requests dealt with under the DPA remained fairly constant over the same period, with 19 being dealt with in 2009/10 and 18 in 2010/11. All requests met the requisite timescale.

### **Health and Safety**

My Office has been committed to ensuring the health and safety and welfare of its staff, visitors and contractors and all others who may be affected by its activities. I recognise that effective health and safety management provides a significant contribution to business performance.

The OLSO function in Birmingham operates from a modern, open plan office accommodation. The accommodation was commissioned in August 2010 and is compliant with all health and safety regulations. DSE assessments are undertaken on an individual basis and appropriate support provided where required. An ongoing programme of risk assessment, safety checks and proactive facilities management including the use of a cross function staff premises group ensure that the working environment remains compliant with legislation and fit for purpose. The premises have recently been nominated for a British Institute of Facilities Management award for their contribution to office productivity and employee well-being.

### **Sustainable Development**

OLSO has been committed to reducing its impact on the environment and, it has schemes for recycling plastic, glass, cardboard, newspapers and printer cartridges. The transfer of the function to Birmingham has allowed us to reap further environmental benefits. We have a city centre location, which means

the majority of our employees use public transport – this was a conscious choice to promote green values as part of the ethos of the service. The office is designed to be paperless – this is not only an efficient approach, but given the volumes of paper that lawyers and their clients can generate is a responsible and ethical view to the use of resources. We also do the small, but important things, such as actively encourage recycling and minimisation of waste through catering and facilities management.



## The Approved Regulators, Complaint-handling –Performance

OLSO oversees the handling of complaints about solicitors, barristers, legal executives, licensed conveyancers, patent attorneys, trade mark attorneys, law costs draftsmen and probate practitioners as regulated by ACCA and ICAS by the professional bodies responsible for the setting and maintaining standards of conduct and service within the legal profession.

Complaints about legal professionals in England and Wales must first be referred to the firm or individual that provided the service. If the consumer is not satisfied with the response from the supplier of the service, a complaint can be made to the legal Approved Regulator. If the consumer is not satisfied with the response from the Approved Regulator they can have the complaint investigated by my Office. Following my investigation my recommendations to the Approved Regulator can be a combination of reconsiderations, compensation and formal criticisms. Below I have provided an explanation for each of these:

**Compensation:** I can recommend that either the Approved Regulator and / or the legal practitioner involved pay compensation to the consumer.

**Formal Criticisms:** I record a formal criticism against a legal Approved Regulator where I have identified some failing in the investigation and either reconsidering the case or awarding compensation would not be appropriate in the circumstances.

In terms of the reasons that I make a recommendation against the Approved Regulator I categorise these as:

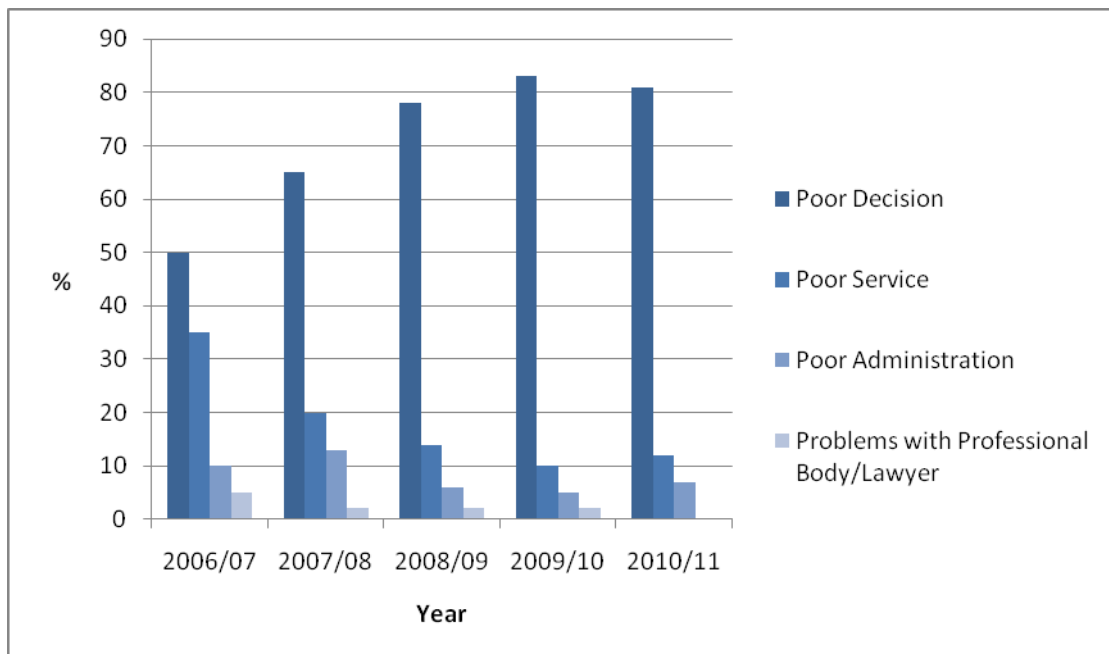
**Poor decisions:** These are cases where I felt that the decision, which the Approved regulator reached in the matter, was unreasonable. For example, complaints may have been rejected unfairly, or evidence may have been overlooked in reaching the decision, or I may have felt that the conclusion reached was inappropriate.

**Poor service:** These are cases where I felt that there was poor service or inefficiency during the Approved Regulator's investigation, despite the decision that the professional body reached may have been reasonable. For example, there may have been unnecessary delay during the investigation, or the staff at the Approved Regulator may have communicated poorly with the consumer. I would also feel that there was poor service if the professional body had failed to inform the consumer about their right to complain to me.

**Poor administration:** These are cases where I felt that there was maladministration during the Approved Regulator's investigation. For example, if correspondence or files had been lost, or if there had been unnecessary delay in my Office receiving a file, having requested it from the Approved Regulator for review.

**Problems with Approved Regulator / lawyer:** These are cases where there have been problems at points within the complaints-handling process at the professional body. For example, where the Approved Regulator had decided in favour of the complainant, there may have been a problem with compliance from the lawyer, or the Approved Regulator may have not done enough to obtain necessary replies or documents from parties involved in the complaint.

Additionally every Approved Regulator has benefitted from considering my reports that do not contain any recommendations. Considering non-recommendation reports has allowed each Approved Regulator to gain an understanding of what they are doing well thereby enabling lessons to be learnt. In 2010/11 of the 214 recommendations that I made 81% were due to poor decisions made by the professional body; 12% were because of poor service; 7% were because of poor administration. The overall trend has remained much the same over the last few years with the main reason for a recommendation being poor decisions followed by poor service.

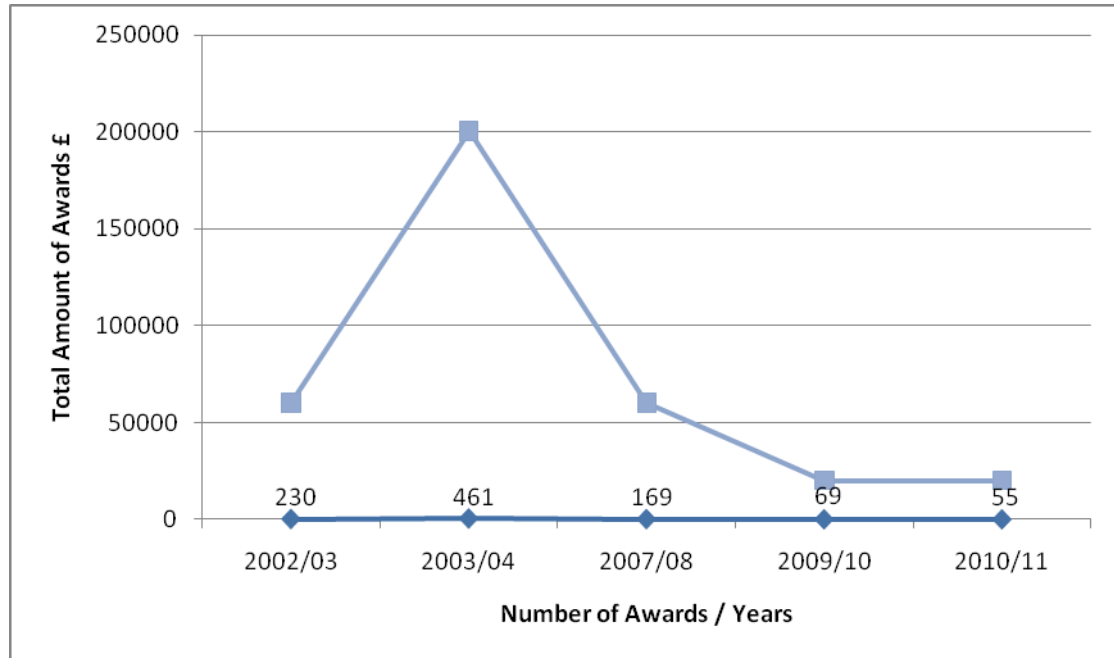


### Compensation recommendations

I am pleased to report that the Approved Regulators have improved their performance helped by their reflection on some of the cases that I have sent back for reconsideration, and our regular discussions regarding their practices and procedures. There is now greater consistency in decision making; fewer cases are being returned for reconsideration and numbers of awards and levels of compensation recommended have reduced significantly.

The following gives an indication of how performance has improved since 2002/03.

Year	2002/03	2003/04	2007/08	2009/10	2010/11
<b>Number of Awards</b>	<b>230</b>	<b>461</b>	<b>169</b>	<b>69</b>	<b>55</b>



## The Law Society

The Law Society represents solicitors in England and Wales. Its aim is to help, protect and promote solicitors. They are also responsible for handling complaints about solicitors' service and they regulate the profession. In January 2006, the Law Society created the Legal Complaints Service (LCS) to handle consumer complaints and the Solicitors Regulation Authority (SRA) to oversee the conduct of the profession. Both bodies are part of the Law Society, but operate independently.

## Law Society - Legal Complaints Service (LCS)

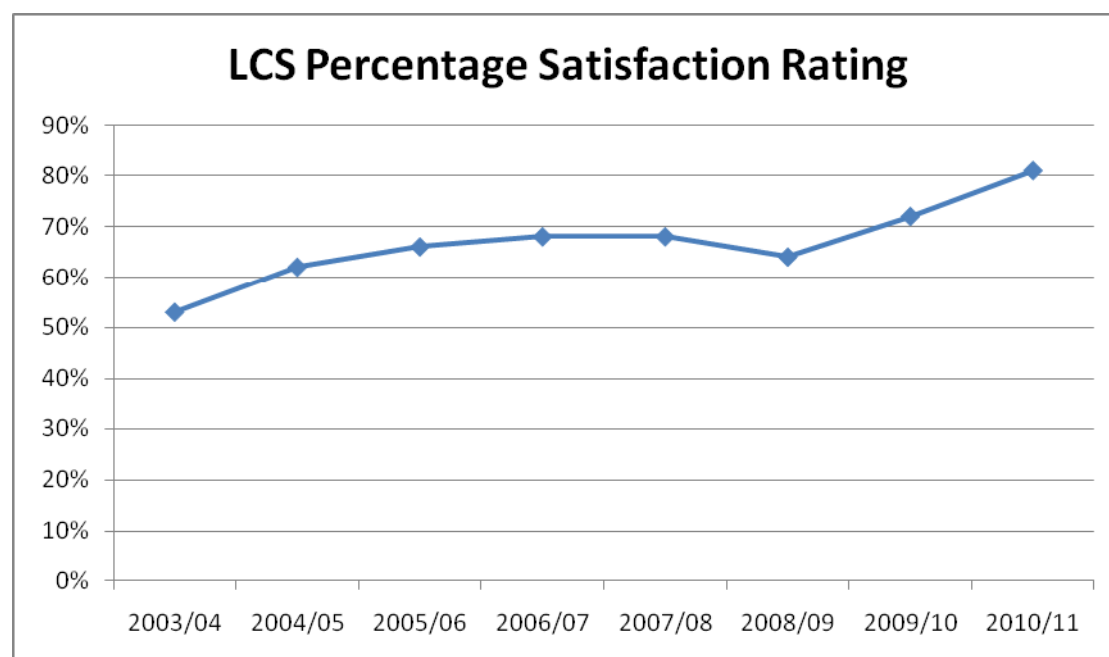
In January 2006 the Law Society created the LCS to handle consumer complaints and the SRA to oversee the conduct of the profession. 2007/08 was the first year that my Office was able to report separately on performance, and therefore figures prior to 2007/08 relate to the Law Society as a whole and not to the separate entities.

The LCS handled complaints about the service received by a consumer from a firm of solicitors. They also handled complaints about solicitors' bills. When a complaint was made about the service of a firm, the LCS conciliated between the consumer and the firm to try to resolve the issue. If no resolution could be reached, the LCS could investigate the complaint and, should they find in the consumer's favour, they could require the firm to reduce their bill, to pay compensation to the consumer, or to correct a mistake at the firm's own expense. If a consumer is unhappy with the LCS investigation they can refer their case to my Office.

In 2010/11 I investigated 1040 cases referred to me by consumers who were unhappy with how the LCS handled their complaint. The percentage of investigations with which I was satisfied was 81%.

### Satisfaction rating of my investigations into the Law Society/LCS

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
53%	62%	66%	68%	68%	64%	72%	81%



I made formal recommendations against the Law Society/ LCS in the following number of cases.

<b>Adverse Findings</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Criticism	151	72	79	118
Compensation: LS to pay	449	245	254	177
Reconsider	106	104	164	189
Reconsider and Compensation: LS to Pay	0	59	73	52
<b>Total</b>	<b>706</b>	<b>480</b>	<b>570</b>	<b>536</b>

<b>Adverse Findings</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Criticism	91	85	64	40
Compensation: LCS to pay	102	59	31	21
Reconsider	198	259	191	156
Reconsider and Compensation: LCS to Pay	24	28	17	8
<b>Total</b>	<b>415</b>	<b>431</b>	<b>303</b>	<b>225</b>

My power to ask the Approved Regulators to reconsider a complaint was removed on 1 January 2011.

It is pleasing to note that the number of cases and average amount of compensation I recommended that the LCS pay to consumers let down by their own internal service in 2010/11 is less than in 2009/10. In 2010/11 I recommended that the LCS pay compensation to consumers let down by their own internal service in 29 cases with the amount totalling £10701.00 and therefore an average award of £369\*.

Average amounts of compensation that I have recommended should be paid by the Law Society/LCS to consumers let down by their own internal services.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
£431	£408	£435	£409	£382	£338	£307	£369

The reasons for my recommendations are set out below.\*

<b>Reasons for Recommendations</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Poor Decision	65%	78%	83%	81%
Poor Service	20%	14%	10%	12%
Poor Administration	13%	6%	5%	7%
Problems with LCS/lawyer	2%	2%	2%	0%

## Solicitors Regulation Authority (SRA)

In January 2006 the Law Society created the LCS to handle consumer complaints and the SRA to oversee the conduct of the profession. 2007/08 was the first year that my Office was able to report separately on performance, and therefore figures prior to 2007/08 relate to the Law Society as a whole and not to the separate entities.

The SRA set and enforce the Rules of the Solicitors' Code of Conduct. If the consumer raises issues over the professional conduct of a solicitor or evidence of misconduct, the LCS will refer the issues to the SRA. If the SRA consider that a solicitor has breached the Code of Conduct, the SRA have the power to take disciplinary action against the solicitor in question. This ranges from advising the solicitor over their future conduct, to a referral to the Solicitors Disciplinary Tribunal, which could lead to the solicitor being struck off the Roll of Solicitors. I do not have the power to review decisions made by the Solicitors Disciplinary Tribunal.

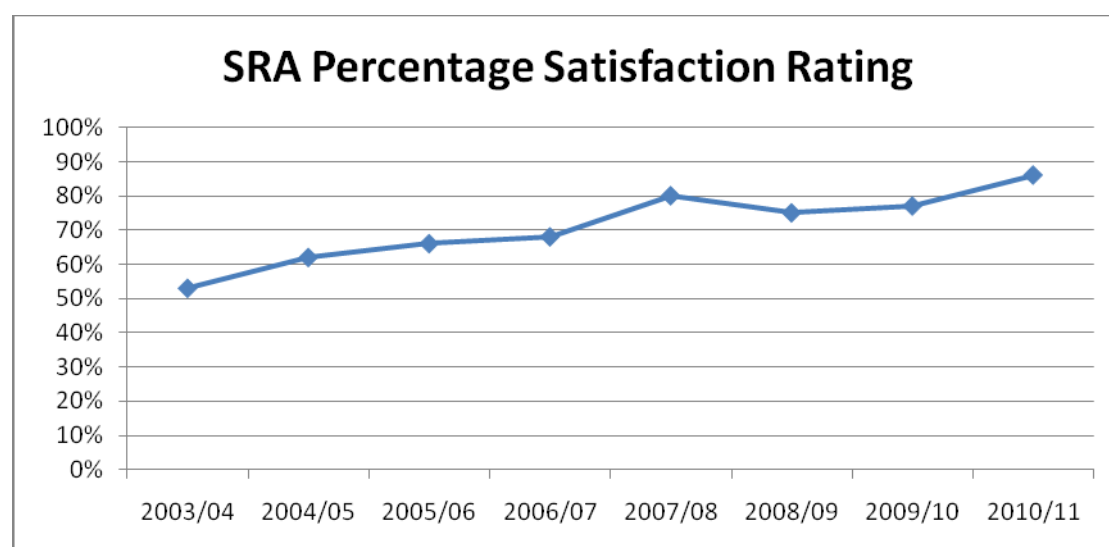
In addition, the SRA are responsible for issuing Practising Certificates to solicitors. They also offer continuing professional development and accreditation schemes for solicitors; and handle applications from overseas solicitors under the Qualified Lawyers Transfer Regulations 1990.

In 2010/11 I investigated 414 cases referred to me by consumers who were unhappy with how the SRA handled their complaints. The power to ask the SRA to reconsider conduct complaints was removed on 6 October 2010

In 86% of cases referred to me I was satisfied with the way in which the SRA handled the complaint.

### Satisfaction rating of my investigations into the **Law Society/SRA**

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
53%	62%	66%	68%	80%	75%	77%	86%



I made formal recommendations (to reconsider and / or compensate) to the **Law Society/SRA** in the following number of cases.

<b>Adverse Findings</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>
Criticism	151	72	79	118
Compensation: LS to pay	449	245	254	177
Reconsider	106	104	164	189
Reconsider and Compensation: LS to Pay	0	59	73	52
<b>Total</b>	<b>706</b>	<b>480</b>	<b>570</b>	<b>536</b>

<b>Adverse Findings</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Criticism	31	36	34	24
Compensation: SRA to pay	18	7	9	11
Reconsider	24	65	58	34
Reconsider and Compensation: SRA to Pay	9	1	5	6
<b>Total</b>	<b>82</b>	<b>109</b>	<b>106</b>	<b>75</b>

It is pleasing to note that the number of cases where I have made adverse findings against the SRA in 2010/11 is less than in 2009/10.

Average amounts of compensation that I have recommended should be paid by the Law Society/SRA to consumers let down by their own internal services.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>£431</b>	<b>£408</b>	<b>£435</b>	<b>£409</b>	<b>£491</b>	<b>£390</b>	<b>£245</b>	<b>£369</b>

The reasons for my recommendations are set out below.

<b>Reasons for Recommendations</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Poor Decision	44%	81%	84%	81%
Poor Service	32%	13%	11%	12%
Poor Administration	19%	6%	5%	7%
Problems with SRA/lawyer	5%	0%	0%	0%

## General Council of the Bar (The Bar Council)

The General Council of the Bar (known as the Bar Council) is the governing body for the Bar. Its role is to promote and improve the services and functions of the Bar, and to represent the interests of the Bar on all matters relating to the profession.

Within the structure of the Bar Council, the Bar Standards Board takes decisions independently and in the public interest. The Bar Standards Board is responsible for:

- setting the education and training requirements for becoming a barrister
- setting continuing training requirements to ensure that barristers' skills are maintained throughout their careers
- setting standards of conduct for barristers
- monitoring the service provided by barristers to ensure quality
- handling complaints against barristers and taking disciplinary or other action where appropriate.

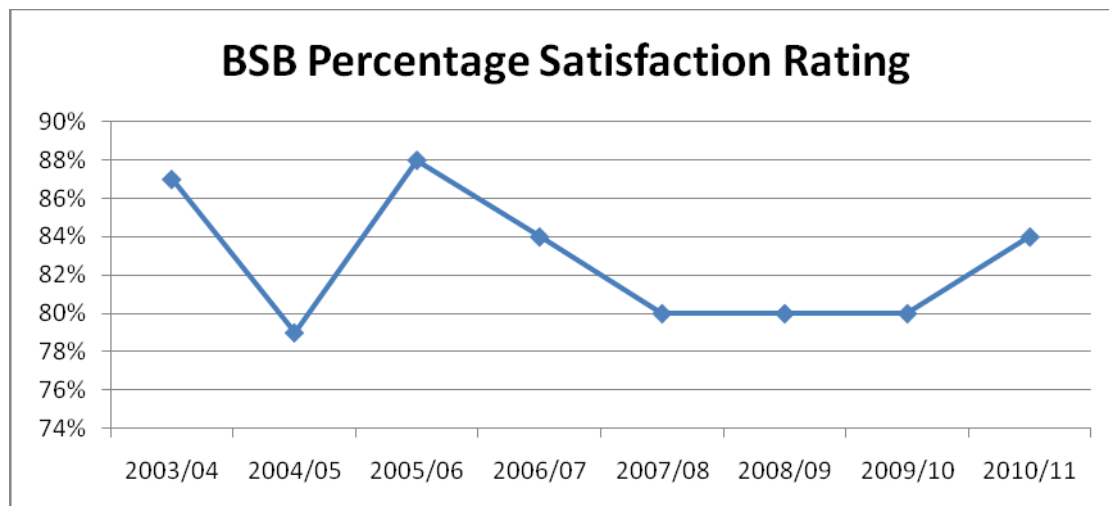
**The Bar Council's complaint handling is consistently performed to a high standard with over 80% of cases handled reasonably in 2010/11.**

The Bar Council has consistently complied with and acted on the recommendations I have made.

At the beginning of 2006 the Bar Council split into 2 bodies, the Bar Council and the Bar Standards Board (BSB). The BSB, which oversees the regulation of barristers, was established in January 2006 to run the regulatory work of the Bar Council.

Satisfaction rating of my investigations into the BSB.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
87%	79%	88%	84%	80%	80%	80%	84%





I made formal recommendations (to reconsider or compensate) against the BSB in the following number of cases.

Adverse Findings	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Criticism	7	12	3	8	7	12	8	13
Compensation: BSB to pay	9	8	1	3	11	3	4	8
Reconsider	14	16	17	16	8	18	13	8
Reconsider and Compensation: BSB to Pay	0	1	1	0	1	0	2	1
<b>Total</b>	<b>30</b>	<b>37</b>	<b>22</b>	<b>27</b>	<b>27</b>	<b>33</b>	<b>27</b>	<b>30</b>

The table shows average amounts of compensation that I have recommended that the BSB pay to consumers let down by their own internal service. This was done in 9 cases in 2010/11, totalling £3,321 and therefore an average award of £369.\*

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
£522	£385	£175	£183	£229	£167	£325	£369

Over the last few years the main reasons for my recommendations have been poor decisions and poor service.

Reasons for Recommendations	2006/07	2007/08	2008/09	2009/10	2010/11
Poor Decision	74%	28%	58%	74%	81%
Poor Service	11%	36%	28%	16%	12%
Poor Administration	11%	36%	14%	10%	7%
Problems with BSB/lawyer	4%	0%	0%	0%	0%

## Council for Licensed Conveyancers

The Council for Licensed Conveyancers (CLC) is the regulatory body for Licensed Conveyancers who are qualified specialist property lawyers. The CLC;

- organise the training which all Licensed Conveyancers are required to undertake before they are eligible for a licence
- set examinations
- issue annual licences
- set rules
- regularly monitor the profession by way of a Compliance Department
- discipline Licensed Conveyancers when necessary
- organise insurance and compensation funds so that the public do not suffer from a Licensed Conveyancers negligence or fraud

I am pleased to record that the CLC are working with the Legal Services Board to agree what changes need to be made to its Rules and Guidance to signpost clients to the Office for Legal Complaints and to collect evidence of compliance.

During 2010/11 I investigated 13 cases referred to me by complainants who were unhappy with the CLC's handling of their complaint.

I am pleased to report that I was satisfied with 10 of these cases.

Satisfaction rating of my investigations into the CLC.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
67%	33%	22%	37%	50%	88%	83%	77%



I made formal recommendations against the CLC in the following cases.

<b>Adverse Findings</b>	<b>2003/04</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
Criticism	0	0	2	1	0	0	0	0
Compensation: LS to pay	1	0	6	2	3	1	1	0
Reconsider	2	6	2	8	1	0	2	3
Reconsider and Compensation: LS to Pay	0	0	4	1	1	0	0	0
<b>Total</b>	<b>3</b>	<b>6</b>	<b>14</b>	<b>12</b>	<b>5</b>	<b>1</b>	<b>3</b>	<b>3</b>

Over the last few years the main reasons for my recommendations have been poor decisions and poor service.

The following table shows the average amounts of compensation that I have recommended that the CLC pay to consumers let down by their own internal service. I made no recommendations in 2010/11.

2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<b>£250</b>	<b>£0</b>	<b>£325</b>	<b>£400</b>	<b>£350</b>	<b>£200</b>	<b>£150</b>	<b>£0</b>

### **Institute of Legal Executives Professional Standards Ltd (Institute of Legal Executives)**

ILEX is the professional body that represents trainee and practicing Legal Executives. During my time as Ombudsman I have not received any cases relating to the handling of complaints by ILEX.

ILEX is the process of reviewing and amending its procedures for dealing with complaints to make sure that they are compliant with the provisions of the Legal Services Act 2007.

I have not received any cases relating to the handling of complaints by ILEX.

### **Chartered Institute of Patent Attorneys (CIPA)**

CIPA is the professional and examining body for patent attorneys (also known as patent agents) in the UK. Under the Courts and Legal Services Act (1990) my remit covers the 72 holders of Litigator Certificates compared to a full CIPA membership of 1,800 (as at March 2010).

I have not received any cases relating to the handling of complaints by CIPA.

### **Institute of Trade Mark Attorneys (ITMA)**

The Institute of Trade Mark Attorneys is the professional body representing those qualified to act for the owners of trade mark and other intellectual property rights - in particular, registered designs - both nationally and internationally.

I have not received any cases relating to the handling of complaints by ITMA.

### **Association of Law Costs Draftsmen (ALCD)**

From January 2010 complainants can make applications to the Ombudsman to investigate how the ALCD have handled complaints about their members. The ALCD have been a professional body under the LSO since 2007 and an order was made to that effect in January 2007.

I have not received any cases relating to the handling of complaints by ALCD.

### **Association of Chartered Certified Accountants (ACCA)**

From 1 January 2010 complainants can make applications to the Ombudsman to investigate how the ACCA have handled complaints about their members. The ACCA have been a professional body under the LSO since 1 January 2010 and an order was made to that effect on 30 December 2009

I have not received any complaints relating to the handling of complaints by the ACCA

## **Institute of Chartered Accountants Scotland (ICAS)**

From 1 January 2010 complainants can make applications to the Ombudsman to investigate how the ICAS have handled complaints about their members. The ICAS have been a professional body under the LSO since 1 January 2010 and an order was made to that effect on 30 December 2009

I have not received any complaints relating to the handling of complaints by the ICAS.



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John Norton  
Legal Services Ombudsman for England and Wales

Date: 3 October 2011

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Due to the case management system in Manchester being terminated it was not possible to recover all the data normally provided within the Annual Report. It has not been possible to separate the number of cases where compensation has been awarded against individual Approved Regulators (AR's), the average compensation awards for each AR for 2010/11 and the breakdown reasons for recommendations for each AR for 2010/11 I have therefore used the overall figures for OLSO for 2010/11.

**OFFICE OF  
THE LEGAL SERVICES OMBUDSMAN**

**REMUNERATION REPORT**

**YEAR ENDED 31 MARCH 2011**

## REMUNERATION REPORT

### Auditable Sections

In accordance with the requirements of Schedule 7A of the Companies Act 1985 (as amended), only certain sections of the Remuneration Report have been subject to full external audit. These comprise the paragraphs on salary and pension entitlements.

### Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Legal Services Ombudsman (the Ombudsman) receives salary increases annually in line with the average award to Senior Civil Service (SCS) employees.

The Ombudsman is not subject to performance pay arrangements, although she discusses her annual appraisal with the Permanent Secretary of the Ministry of Justice.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

The acting Ombudsman is seconded from the Office for Legal Complaints and is subject to the OLC's remuneration policy. Further details on this can be found within the OLC's 2010-11 Annual Report and Accounts.

### Service Contracts

The Constitutional Reform and Governance Act 2011 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk)

The Ombudsman was a statutory employee. She has not been reappointed as Legal Services Ombudsman and her appointment ceased on 2 March 2011.

The Ombudsman's contract gives the Secretary of State discretion to make a compensatory payment in the event of early termination 'should he consider there are special circumstances which make it right that the Office Holder should receive compensation'. No such payment was made upon the Legal Services Ombudsman's departure on 2 March 2011.

The current Legal Services Ombudsman has been contracted to oversee the closure of the Office and the completion of any outstanding cases. The Legal Services Ombudsman is a statutory employee of OLC with pension benefits and so is included in this report.

### Salary and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Ombudsman.

#### Remuneration

MEMBER	2010-11 £'000		2009-10 £'000	
	Salary	Full year equivalent	Salary	Full year equivalent
Zahida Manzoor	115-120	115-120	115-120	115-120
John Norton	5-10	85-90	-	-

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

John Norton's salary is paid by OLC and recharged to OLSO. He receives no additional remuneration in his role as Ombudsman. His terms and conditions of employment remain with OLC throughout his secondment to OLSO.



## Pension Benefits

Name	Accrued pension and related lump-sum at pension age as at 31/03/11	Real increase in pension and related lump-sum at pension age	CETV at 31/03/11 <sup>1&amp;2</sup>	CETV at 31/03/10 <sup>1</sup>	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Zahida Manzoor	20-25	0-2.5	328 <sup>2</sup>	255	34
John Norton	15-20	0-2.5	260	260	-

<sup>1</sup> The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/03/11 and 31/03/11 have both been calculated using the new factors, for consistency. The CETV at 31/03/10 therefore differs from the corresponding figure in last year's report which was calculated using previous factors.

<sup>2</sup> CETV at 2 March 2011 for Zahida Manzoor.

The figures shown on the pension benefit relate to Zahida Manzoor's role as Ombudsman and Complaints Commissioner, as it has not been possible to separate her pension entitlements. She is a member of the PCS Premium / C1 Plus part of the Principal Civil Service Pension Scheme (PCSPS).

John Norton's pension and CETV figures refer to his PCS Classic pension entitlements, part of the PCSPS. These are not associated with his employment as Ombudsman or at the OLC. The OLC scheme employer contributions are for his current OLC pension and do relate to his time as Ombudsman. Further details on the OLC pension scheme can be found within the OLC's annual report and accounts.

In addition, during his time as Ombudsman, John Norton received a total of £802 in respect of the OLC's flexible benefits scheme and travel remuneration supplement.

## **Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued with Pension Increased legislation. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach the pension age, or immediately on ceasing to be an active member of the scheme if they are over the pension age. Pension age is 60 for classic premium and classic plus and 65 for nuvos members.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### **Cash Equivalent Transfer Values**

Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their

own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

### **Real Increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



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John Norton  
Legal Services Ombudsman for England and Wales

Date: 3 October 2011



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Suma Chakrabarti  
Accounting Officer

Date: 4 October 2011

**OFFICE OF  
THE LEGAL SERVICES OMBUDSMAN**

**ANNUAL ACCOUNTS**

**YEAR ENDED 31 MARCH 2011**

## **STATEMENT OF ACCOUNTING OFFICER'S AND OMBUDSMAN'S RESPONSIBILITIES**

HM Treasury has appointed the Permanent Secretary of the Ministry of Justice (the Ministry) as Principal Accounting Officer. The Principal Accounting Officer's responsibilities are defined in chapter three of Managing Public Money (MPM), a publication of HM Treasury.

The Accounting Officer has responsibility for the regularity and propriety of the public finances for which he is answerable, for keeping proper records and for safeguarding the Ministry's assets. He is also responsible for preparing the accounts of the Ministry of Justice (MoJ) and for transmitting them to the Comptroller and Auditor General.

The Secretary of State for Justice and Lord Chancellor has appointed the Legal Services Ombudsman for England and Wales (LSO) to oversee the daily operations of the Office of the Legal Services Ombudsman (OLSO). Details of the division of responsibilities are set out in Memoranda of Understanding between the Ministry, OLSO and, since 3 March 2011, the Office of Legal Complaints (OLC) as the supplier of resources. This appointment does not detract from the Permanent Secretary's overall responsibility as Accounting Officer for the accounts.

Under the Courts & Legal Services Act 1990, the Secretary of State and Lord Chancellor has directed the LSO to produce accounts for the financial year.

These accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of OLSO, the expenditure outturn and cashflow for the financial year.

In preparing the accounts the LSO is required to comply with the requirements of the International Financial Reporting Standards (IFRS) based International Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by MoJ, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the International Government Financial Reporting Manual (FReM) have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

## STATEMENT ON INTERNAL CONTROL

### 1. Scope of responsibility

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the Ministry of Justice (MoJ) and the Office of the Legal Services Ombudsman's (OLSO) policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

As Accounting Officer, I agree with Ministers the plans and allocation of resources to the MoJ's business areas. OLSO operates as a business entity of the MoJ. I delegate financial authority, with internal control and risk management responsibilities, to the Budget Holder for the OLSO, in line with the requirements detailed in the Memoranda of Understanding between the MoJ, OLC and LSO, in place from 3 March 2011, and the MoJ and OLSO prior to that date. The Budget Holder is currently Catherine Lee, the Director of the Access to Justice Directorate within Justice Policy Group. Prior to 1 April 2011 the Budget Holder was Helen Edwards, the Director General of Justice Policy Group.

A system of internal control operates in the MoJ's headquarters. This includes the monitoring of OLSO's performance and compliance with the Memorandum of Understanding through the Director General, Justice Policy Group, via the sponsorship team.

The Legal Services Board (LSB) and the Office for Legal Complaints (OLC) were formally constituted on 1 January 2009 and 1 July 2009 respectively. The OLC which operates the new Legal Ombudsman scheme opened its doors to new complaints on 6 October 2010. From this date the Approved Regulators such as the Law Society and the Bar Standards Board, no longer received any new service complaints and had until 31 March 2011 to complete their remaining cases. Any cases not completed by 1 April 2011 were redirected to the LSO for resolution.

On 3 March 2011 John Norton was appointed LSO (following the end of the former LSO, Zahida Manzoor's term of appointment) and is responsible for concluding the work in progress of the OLSO function by 31 December 2011.

### 2. The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the MoJ's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised,

and to manage them efficiently, effectively and economically. The system of internal control has been in place in OLSO for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### **3. Capacity to handle risk**

As Accounting Officer I acknowledge my overall responsibility for the effective management of risk throughout the MoJ.

The Departmental Board (DB), which replaced the Corporate Management Board, (CMB), has overall responsibility for MoJ's strategic direction. The Secretary of State chairs the DB and membership includes the Ministerial Team, the Permanent Secretary, DG Finance, DG Transforming Justice and the Departmental Non-Executive Board Members. The DB is supported by the work of the Executive Management Committee of the Board (EMCB), which is chaired by the Permanent Secretary and is attended by Directors General.

The MoJ's Risk Management Policy and Framework document was approved by the CMB and published in July 2008 and was updated in July 2010. It sets out the MoJ's approach to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk. The policy and framework is available to all staff on the MoJ's Intranet, and is supported by guidance and targeted training in the form of seminars and workshops.

During the time Zahida Manzoor was LSO, risk management was incorporated into OLSO's day-to-day activities and forward planning. Risk assessments were carried out by the Senior Management Team (SMT) in relation to the delivery of business objectives. Due to the closure of the Office the SMT only met four times during 2010-11, the last meeting being in September 2010. However a risk register was maintained and reviewed as part of the day-to-day management and the business planning and performance reporting process.

Prior to the transfer of responsibilities to the new office in Birmingham the MoJ developed and maintained a Closure Risk Register. This was managed by the Closure and Transition Project Board overseen by a Senior Responsible Officer and Board members with key supplier and resource interests. Management of the Board and risks were held by the sponsorship team within Justice Policy Group.

Following the transfer of responsibilities with the appointment of the new LSO and establishment of the new team in Birmingham, a local Risk Register, incorporating the remaining Closure Risk Register points, was developed by the LSO and his new SMT and became the LSO Corporate Risk Register. It is now maintained and updated by the LSO and his SMT at the new OLSO site and appropriate actions are taken to mitigate the risks. To inform and

assist with this maintenance, LSO function management team meetings are held to monitor the performance of the casework team and to dynamically manage risks as they are identified. Significant risks identified are reported to the MoJ through the sponsorship team and where appropriate the OLC Board as the supplier of resources.

Throughout the whole period, any significant risks to and arising from the work of OLSO were reported to the Director General, Justice Policy Group, via the sponsorship team and in line with the Memorandum of Understanding. Where necessary, such risks and the actions to mitigate them were escalated and incorporated into the MoJ Corporate Risk Register for consideration by the Corporate Management Board (CMB).

#### **4. The risk and control framework**

The control environment has changed significantly during the year with the transfer of the function of the LSO to a new Office housed within the OLC in Birmingham.

The key elements of OLSO's risk management strategy for identifying, evaluating and controlling risk for the year prior to 3 March were as follows:

- OLSO's system (based on MoJ policy and framework) of analysis and reporting that identifies risk to objectives, risk impact and likelihood, current and planned mitigating action, risk status, risk judgement or appetite and individual risk owners, which formed the basis of the Risk Register and was escalated quarterly to the Justice Policy Group;
- OLSO Senior Management Team meetings until September 2010;
- OLSO Risk Register reviewed by Justice Policy Group, escalating any significant risks for inclusion in the MoJ's Corporate Risk Register;
- Regular certification of Controls by the OLSO. The former LSO left on 2 March but did not sign assurance statements for the year to that date. However, the underlying checking certificates were completed and signed by key staff for that full period;
- Corporate Services Manager as OLSO risk co-ordinator in the SMT until it was disbanded;
- Risk identification, evaluation and management as an integral part of the Office's planning process for delivery of its objectives;
- Regular management information, financial regulation, administrative procedures including segregation of duties, and a system of delegation and accountability;



- Establishment of an OLSO Closure and Transition Project Board, led by the MoJ Sponsorship Team, to govern and control overall risks to transition and business continuity planning from June 2010;
- Meetings of the Project Board, which included members of the OLSO SMT as a Senior Supplier throughout the financial year on at least a 6 weekly basis, the last formal meeting including the former members of the SMT being held on 23 March 2011;
- Business Planning, which were discussed with and reviewed by the Director General, Justice Policy Group;
- Comprehensive budgeting systems with an annual budget, which were reviewed and agreed by the DB and EMCB;
- Regular reviews by the DB and EMCB of periodic and annual financial reports, which were prepared to indicate financial performance against the forecasts;
- Restrictions on in-year spending by OLSO to the limit as allocated by the MoJ Director General, Justice Policy Group;
- Target setting to measure financial and other performance;
- A formal system of financial compliance controls consisting of risk assessments, core control checks with an audit trail of evidence, and a review and reporting mechanism to provide assurances from the OLSO on a quarterly basis, that internal financial controls are in place and operating effectively;
- A published MoJ fraud policy, with effective capability to investigate incidents of fraud, including a cadre of trained staff;
- A MoJ “whistle-blowing” policy for confidential reporting of staff concerns;
- A Business Continuity Plan for OLSO, which was refined to ensure that key activity continued effectively following a disruption;
- An active and constructive OLSO Health and Safety Committee with co-ordinators to carry out specific risk assessments and workplace inspections, making an effective contribution to business performance; and
- Compliance with ISO27002, the International Standard for Information Security Management, to assist with achievement of the standard across the MoJ, and including the maintenance of a risk register, an information risk policy statement and schedule of local controls.

During the handover period, prior to responsibility transferring to the new LSO on 3 March 2011, the new LSO undertook the following procedures:

- Attended the Closure and Transition Board as Senior Supplier;
- Contributed to the Closure Risk Register;
- Developed an action plan for the resolution of unresolved cases to be transferred to Birmingham;
- Established a specific project to control the handover and transfer of case holdings from the Manchester office. This included establishing an implementation team and transition plan and considering progress against the transition plan;
- Set up the LSO function management team; and
- Provided OLC support staff to deliver the relevant IT systems and facilities required.

The key elements of OLSO's risk management strategy from 3 March for identifying, evaluating and controlling risk are as follows:

- Daily Management Information reports from the OLC case management system to manage the cases to be cleared;
- Weekly meetings of the LSO function management team to monitor the performance of the casework team and manage any risks that are identified;
- Regular updates of the LSO Corporate Risk Register by the SMT;
- Regular reporting of significant risks to the Director General, Justice Policy Group via the sponsorship team and where appropriate the OLC Board as the supplier of resources;
- Regular reporting by the LSO's office to stakeholders, including the sponsorship team in Justice Policy Group;
- OLC Board meetings which include OLSO risk management on the standard agenda;
- An agreement on indicative costings with the sponsorship team in the MoJ to ensure that spending is within the limit as allocated by the MoJ Director General, Justice Policy Group;
- Provision of monthly invoices to the MoJ and scrutiny of those invoices by the sponsorship team within the MoJ;

- Adoption of the OLC's fraud policy, Health and Safety policies and "whistle-blowing" policy for confidential reporting of staff concerns;
- Adoption of the OLC policies for Information Security Management. The OLC has not yet achieved compliance with ISO27002 but is striving towards it; and
- Reliance upon OLC disaster recovery and IT recovery plans and OLC controls.

## 5. Review of effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the MoJ who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. My review was also informed by the work of the LSO, by the Senior Management Team at OLSO until it was disbanded and, since 3 March 2011, the OLC Board as the supplier of resources. Regular reporting on risks and internal controls is undertaken by the OLSO to the Director General, Justice Policy Group, via the sponsorship team. In addition, the OLSO is required to have complied with the provisions of Managing Public Money

For 2010-11 the OLSO reported that no significant weaknesses were identified with regard to internal controls; reviews of business objectives and performance, the authorisation and recording of transactions, management of the delegated budget and safeguarding of MoJ assets. No breaches of financial authority or incidents of fraud were reported.

In addition, the following bodies also inform my review in so far that OLSO matters are referred to or considered by them:

- **The Departmental Board (DB) and Executive Management Committee of the Board (EMCB)** - These Boards approved the MoJ's Framework and Policy Document and have been involved in the development and monitoring of the Corporate Risk Register.
- **MoJ Audit Committee** – The MoJ's Audit Committee is a continuing source of advice and assurance on the effectiveness of the risk management process. The Committee meets a minimum of four times each year and has a non-executive Chairman, who reports directly to the DB and the Accounting Officer twice a year. The Committee advises on the Internal Audit work programme and considers key recommendations from Internal Audit Reports and reports made by the National Audit Office.

- **Risk Co-ordinators** - A network of Risk Co-ordinators has been established within the MoJ's headquarters, Agencies and NDPBs, to co-ordinate the reporting and management of risk and control issues within business areas and for the MoJ in reporting to the DB and the Audit Committee.
- **Internal Audit** – The MoJ has an Internal Audit Division (IAD) that operates to the Government Internal Audit Standards. It submits regular reports, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the MoJ's internal controls together with recommendations for improvement. It should be noted that IAD has not carried out any specific work on OLSO during 2010-11.

I can confirm that no significant control issues, as defined by HM Treasury guidance, have been highlighted.

The Statement on Internal Control for the Ministry of Justice Accounts as a whole will be available from the Stationery Office when the Ministry's 2010-11 Accounts are published.



Suma Chakrabarti  
Accounting Officer  
4 October 2011

## **Office of the Legal Services Ombudsman**

### **THE INDEPENDENT AUDITOR'S REPORT TO THE HOUSES OF PARLIAMENT**

I have audited the financial statements of the Office of the Legal Services Ombudsman for the year ended 31 March 2011 under the Courts and Legal Services Act 1990. These 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 the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

#### **Respective responsibilities of the Accounting Officer, Ombudsman and auditor**

As explained more fully in the Statement of Accounting Officer's and Ombudsman's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and report on the financial statements in accordance with the Courts and Legal Services Act 1990. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the Audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office of the Legal Services Ombudsman's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office of the Legal Services Ombudsman; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of Office of the Legal Services Ombudsman's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Courts and Legal Services Act 1990 and directions issued thereunder by the Secretary of State.

## **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions issued by the Secretary of State under the Courts and Legal Services Act 1990; and
- the information given in Office of the Legal Services Ombudsman Remit and Powers and the Management Commentary sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

*Sajid Rafiq  
Director, for and on behalf of the Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
5 October 2011*

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE  
PERIOD ENDED 31 MARCH 2011**

	Notes	2010-11 £	2009-10 Restated £
Staff costs	2	1,004,717	1,034,389
Administrative costs	3	169,498	178,211
Accommodation costs	4	387,512	282,037
Ministry's overhead charge		17,000	21,425
Other non-cash costs	5	32,641	22,175
<b>NET EXPENDITURE</b>		<b><u>1,611,368</u></b>	<b><u>1,538,237</u></b>

All expenditure is derived from continuing operational activities. No other comprehensive expenditure has been incurred during the year.

There are no other gains or losses for the period.

The notes on pages 50 to 60 form part of these accounts.



**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2011**

	Notes	As at 31 March 2011		As at 31 March 2010	
		£	£	£	£
<b>NON-CURRENT ASSETS</b>					
Property, Plant and Equipment	6		27,031		34,672
<b>CURRENT ASSETS</b>					
Trade and other receivables	7	51,316		55,172	
<b>TOTAL CURRENT ASSETS</b>			51,316		55,172
<b>TOTAL ASSETS</b>			78,347		89,844
<b>CURRENT LIABILITIES</b>					
Trade and other payables	8	(135,795)		(96,028)	
<b>TOTAL CURRENT LIABILITIES</b>			(135,795)		(96,028)
<b>NON-CURRENT ASSETS LESS NET CURRENT LIABILITIES</b>			(57,448)		(6,184)
<b>NON-CURRENT LIABILITIES</b>					
Provisions	9		(79,500)		-
<b>ASSETS LESS LIABILITIES</b>			(136,948)		(6,184)
<b>TAXPAYERS' EQUITY</b>					
General Fund			(136,948)		(6,184)
			<b>(136,948)</b>		<b>(6,184)</b>

The notes on pages 50 to 60 form part of these accounts.



Suma Chakrabarti  
Accounting Officer  
Date: 4 October 2011



John Norton  
Legal Services Ombudsman  
Date: 3 October 2011

**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 31 MARCH 2011**

	<b>2010-11</b>	<b>2009-10</b>
	<b>£</b>	<b>£</b>
<b>Cash flows from operating activities:</b>		
Net expenditure	(1,611,368)	(1,538,237)
Departmental overhead charge	17,000	21,425
Other non-cash transactions	32,641	22,175
Increase in provisions	79,500	-
Decrease in receivables	3,856	42,928
Increase in payables	39,767	16,354
	<hr/>	<hr/>
<b>Net cash outflow from operating activities</b>	<b>(1,438,604)</b>	<b>(1,435,355)</b>
	<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Funding from MoJ	1,438,604	1,435,205
	<hr/>	<hr/>
<b>Net financing</b>	<b>1,438,604</b>	<b>1,435,205</b>
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>-</b>	<b>(150)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>-</b>	<b>150</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>-</b>	<b>-</b>
	<hr/>	<hr/>

The notes on pages 50 to 60 form part of these accounts.

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY**  
**YEAR ENDED 31 MARCH 2011**

		<b>2010-11</b>	<b>2009-10</b>
		<b>£</b>	<b>(Restated)</b>
			<b>£</b>
Taxpayers' equity at start of year		(6,184)	62,423
Financing from the MoJ	15b	1,438,604	1,435,205
Non-cash charges - cost of capital		-	-
Non-cash charges - auditor's remuneration		25,000	13,000
Non-cash charges - MoJ overhead charge		17,000	21,425
Net expenditure		(1,611,368)	(1,538,237)
<b>Taxpayers' equity at 31 March</b>		<b>(136,948)</b>	<b>(6,184)</b>

The notes on pages 50 to 60 form part of these accounts

## NOTES TO THE ACCOUNTS

### 1. ACCOUNTING POLICIES

#### **Basis of accounting.**

These accounts for the Office of the Legal Services Ombudsman (OLSO) have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

#### **Going concern.**

The Legal Services Act 2007 received Royal Assent on 30 October 2007 and reformed the way that legal services will be regulated in England and Wales. As part of the reforms the Office for Legal Complaints was established to take forward a new Ombudsman scheme providing a single gateway for consumers of legal services to channel their complaints. Previously there had been a two stage process where by a complainant, unhappy with their treatment by the Approved Regulators, could refer the matter to the OLSO. The creation of the single gateway prompted the closure of OLSO.

The OLSO is an associated office of the Ministry of Justice and OLSO's expenditure is settled directly by the Ministry; this will continue to be the case until 31 December 2011. OLSO's assets and liabilities remaining at the point of closure will continue to be owned by the Ministry. These accounts have therefore been prepared on a going concern basis.

#### **Income.**

OLSO does not recover its costs through charging fees, but under Paragraph 23(10) of the Courts and Legal Services Act 1990, can recover reasonable expenditure on publicising the failure of a lawyer or professional body to comply with a recommendation. However, OLSO does not generate income in the normal course of its business activities.

On rare occasions complainants have taken legal action against OLSO that have resulted in legal costs being awarded against them. The income receivable following the reward of costs is offset against expenditure on solicitors' costs.

#### **Bad debts and recoveries.**

Since OLSO does not generate income in the normal course of business bad debts are unusual. In those instances where complainants have taken legal action against OLSO and had legal costs awarded against them then a debtor will be created. Where the complainant has been unable to pay the resulting debt the amount has been written off through the Statement of Comprehensive Net Expenditure. Recoveries of outstanding amounts are handled by Weightmans solicitors (formerly Mace and Jones).

**Funding.**

The funding of the OLSO is provided by the Ministry of Justice who pay all relevant expenses. No cash is held by OLSO itself.

**Ministry's overhead charges.**

These are the support services provided to OLSO by MoJ. The Ministry's costs are apportioned on a systematic basis to all the Ministry's Associated Offices, including OLSO. These costs do not include OLSO's share of the costs under contracts that have been awarded by the Ministry under the Government's Private Finance Initiative (PFI) for the provision of accounting and IT services. The PFI contract is managed centrally by MoJ and is included in the MoJ's resource accounts.

**Other non-cash costs.**

Non-cash costs are included to show the full cost of operating OLSO. The audit fee is a notional amount agreed with the National Audit Office. Cost of capital has been excluded as a cost in 2010-11. Further detail on the impact of this restatement is provided in note 16.

**Expenditure**

Expenditure is stated net of recoverable Value Added Tax but includes irrecoverable VAT. Recoverable VAT is received centrally by the Ministry from HM Revenue and Customs and any amount receivable is not shown as a receivable on the OLSO Statement of Financial Position.

**Non-current assets.**

Historical cost accounting has been used in place of modified historic cost accounting because of the immaterial difference between the two for OLSO.

Property, plant and equipment are mainly IT equipment and furniture. IT equipment costing more than £1,000 is capitalised and then depreciated on a straight line basis over 5 years. All furniture is pooled and capitalised, then depreciated on a straight line basis over 20 years. Although the OLSO office in Manchester closed in 2011, the depreciation policy has not changed because the non-current assets will continue to be used by MoJ and will be transferred at net book value.

MoJ hold the operating lease on the property used by OLSO in Manchester and also have legal ownership of the non-leased property, plant and equipment used by that Office.

**Pensions.**

The majority of employees at the former OLSO in Manchester were covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This defined benefit scheme is unfunded and non-contributory except in respect of dependant's benefits. The Ministry recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts, calculated on an accruing basis. Liability for payment of future

benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Ministry recognises the contributions payable for the year.

### Provisions.

OLSO recognises provisions in line with IAS 37 Provisions, contingent liabilities and contingent assets. They represent liabilities of uncertain timing or amount and are recognised when the OLSO has an obligation for which it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury currently 2.2% (2009-10: 2.2%).

The provisions for liabilities and charges reported in note 9 reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. Where the likelihood of a liability occurring is deemed probable and where it is possible to quantify the effect with reasonable certainty, a provision is recognised. Where a liability is possible, a contingent liability is disclosed (note 13).

### Operating Leases.

Under operating leases the lessor retains the risks and rewards of leased items. Assets provided under operating leases are not included in the Statement of Financial Position. Rentals payable under operating leases are charged to the Statement of Comprehensive Net Expenditure on an accruals basis.

## 2. STAFF NUMBERS AND RELATED COSTS

	Employees £	Self- employed case workers £	Agency staff £	2010-11 Total £	2009-10 Total £
Wages, salaries and fees	569,826	218,404	98,280	886,510	899,931
Social security costs	40,639	3,151	-	43,790	56,366
Other pension costs	98,098	-	-	98,098	124,246
Recoveries for secondees	(23,681)	-	-	(23,681)	(46,154)
	<u>684,882</u>	<u>221,555</u>	<u>98,280</u>	<u>1,004,717</u>	<u>1,034,389</u>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme and OLSO is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/my-civil-service/pensions](http://www.civilservice.gov.uk/my-civil-service/pensions)).

For the year 2010-11, employers' contributions of £98,098 were payable to the PCSPS (2009-10: £124,246) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2010-11 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

The average full time equivalent number of personnel during the year was 16.6 employees and 4.3 self-employed (2009-10: 19.4 employees and 3.9 self-employed).

Although OLSO staff were offered redeployment following the office closure most decided to leave the Civil Service. Two members left under the MoJ's Voluntary Early Departure Scheme (VEDS) and four others took early retirement at a combined cost of £318,446. These departures were not a direct result of the closure of OLSO and so these costs are not included in the OLSO accounts but in the resource accounts of the MoJ.

Staff costs include the former LSO's remuneration and associated pension contributions made on her behalf. Zahida Manzoor CBE held the post during 2010-11 until 2 March 2011. From 3 March 2011 John Norton was appointed to the role of LSO. Mr Norton is an employee of the Office of Legal Complaints (OLC) who recharge OLSO for his services. The employment cost element of Mr Norton and other OLC staff who are working on the residue of OLSO cases are included above (£33,792).

### 3. ADMINISTRATIVE COSTS

	2010-11 £	2009-10 £
Travel and subsistence	8,393	12,537
Legal costs	51,319	59,346
Office supplies	3,405	7,030
Printing and reprographics	6,943	11,383
Distribution and postage	28,775	29,059
Telecommunications	7,110	10,045
Fuel and utilities	8,694	10,503
IT costs	12,861	14,550
Other	41,998	14,495
Bad Debt Written off	-	9,263
<b>Total</b>	<b>169,498</b>	<b>178,211</b>

Income of £13,058 from the recovery of legal costs has been offset against legal costs in the note 3 (2009-10: £1,524).

#### 4. ACCOMMODATION COSTS

	<b>2010-11</b> £	<b>2009-10</b> £
Rent and service charge	256,255	206,642
Rates	43,117	55,564
Other property costs	88,140	19,831
<b>Total</b>	<u><u>387,512</u></u>	<u><u>282,037</u></u>

#### 5. OTHER NON-CASH COSTS

	<b>2010-11</b> £	<b>2009-10</b> <b>Restated</b> £
Depreciation	6,856	7,018
Loss on disposal	785	2,157
External audit fee	25,000	11,500
IFRS shadow accounts audit fee	-	1,500
<b>Total</b>	<u><u>32,641</u></u>	<u><u>22,175</u></u>



## 6. PROPERTY, PLANT AND EQUIPMENT

	Furniture £	Computer and Other Equipment £	Total £
<b>Cost or valuation At 1 April 2010</b>	67,158	21,942	89,100
Additions	-	-	-
Disposals	(1,239)	(989)	(2,228)
At 31 March 2011	<u>65,919</u>	<u>20,953</u>	<u>86,872</u>
<b>Depreciation</b>			
At 1 April 2010	38,022	16,406	54,428
Charge for the period	3,296	3,560	6,856
Released on disposals	(454)	(989)	(1,443)
At 31 March 2011	<u>40,864</u>	<u>18,977</u>	<u>59,841</u>
<b>Net book value At 31 March 2011</b>	<u><b>25,055</b></u>	<u><b>1,976</b></u>	<u><b>27,031</b></u>
<b>At 31 March 2010</b>	<u><b>29,136</b></u>	<u><b>5,536</b></u>	<u><b>34,672</b></u>

The assets remaining at 31 March 2011 were transferred to the Ministry of Justice after the financial year end.

## PROPERTY, PLANT AND EQUIPMENT (PRIOR YEAR)

	<b>Furniture</b>	<b>Computer and Other Equipment</b>	<b>Total</b>
	£	£	£
<b>Cost or valuation At 1 April 2009</b>	67,961	26,648	94,609
Additions	-	-	-
Disposals	(803)	(4,706)	(5,509)
At 31 March 2010	<u>67,158</u>	<u>21,942</u>	<u>89,100</u>
<b>Depreciation</b>			
At 1 April 2009	35,467	15,295	50,762
Charge for the period	3,358	3,660	7,018
Released on disposals	(803)	(2,549)	(3,352)
At 31 March 2010	<u>38,022</u>	<u>16,406</u>	<u>54,428</u>
<b>Net book value At 31 March 2010</b>	<u><b>29,136</b></u>	<u><b>5,536</b></u>	<u><b>34,672</b></u>
<b>At 31 March 2009</b>	<u><b>32,494</b></u>	<u><b>11,353</b></u>	<u><b>43,847</b></u>

## 7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

### 7 (a) Analysis by type

	<b>2010-11</b>	<b>2009-10</b>
	£	£
Amounts falling due within one year:		
Prepayments and accrued income	36,277	50,922
Other receivables	15,039	4,250
	<u>51,316</u>	<u>55,172</u>

## 7 (b) Intra-Government Balances

	2010-11 £	2009-10 £
Balances with bodies outside central government	51,316	55,172
	<u>51,316</u>	<u>55,172</u>

## 8 TRADE PAYABLES AND OTHER CURRENT LIABILITIES

### 8 (a) Analysis by type

	2010-11 £	2009-10 £
Amounts falling due within one year:		
Taxation, social security and pension contributions	22,282	29,301
Accruals and deferred income	68,543	66,727
Dilapidation costs	44,970	-
	<u>135,795</u>	<u>96,028</u>

### 8 (b) Intra-Government Balances

	2010-11 £	2009-10 £
Balances with bodies outside central government	58,001	66,727
Balances with central government	77,794	29,301
	<u>135,795</u>	<u>96,028</u>

## 9. PROVISIONS FOR LIABILITIES AND CHARGES

A provision of £79,500 has been recognised in the financial statements. This includes an amount in respect of a lease which has become onerous since the first available break date falls after the final date of use by OLSO and an amount in respect of a case brought before an employment tribunal. As permitted by IAS 37, a breakdown between these two categories is not provided.

The lease provision covers expected rent, business rates, service charges, water rates, maintenance and insurance costs for the property from 1 April 2011 until the lease expires on 8 July 2011. Commitments under leases are disclosed in note 10.

The utilisation of both provisions is expected to occur in 2011-12.

Provisions are shown in total below:

	Total £
Balance at 1 April 2010	-
Provided in the year	79,500
Balance at 31 March 2011	<u>79,500</u>

## 10. COMMITMENTS UNDER LEASES

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

The lease for accommodation at Sunlight House in Manchester expires on 8 July 2011. There are no renewal clauses applicable to the lease.

	2010-11		2009-10	
	Buildings £	Other £	Buildings £	Other £
Within one year	42,521	-	153,925	-
From one to five years	-	-	41,791	-
After five years	-	-	-	-
	<u>42,521</u>	<u>-</u>	<u>195,716</u>	<u>-</u>

## **11. RELATED PARTY TRANSACTIONS**

MoJ is a related party with which OLSO had various material transactions during the period. OLSO's staff have not entered into any material transactions with OLSO or with MoJ.

The Office of Legal Complaints (OLC) is a related party providing support to complete the remaining OLSO cases following the closure of the Manchester office. OLC charged £55,512 including VAT for this service during 2010-11.

## **12. CAPITAL COMMITMENTS**

There are no capital commitments.

## **13. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37**

There are no contingent liabilities.

## **14. EVENTS AFTER THE REPORTING PERIOD**

In accordance with the requirements of IAS10 "Events after the reporting period", post reporting period events are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date the Comptroller and Auditor General certifies the accounts.

## **15. FINANCIAL INSTRUMENTS**

OLSO has no financial instruments under the definition of IAS 32 "Financial Instruments: Presentation". IFRS 7 "Financial Instruments: Disclosure" requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

### **15a Risk Management Objectives and Policies**

OLSO does not use financial instruments to create or change risk in undertaking its activities. The largely non-trading nature of its activities and the way it is financed mean that OLSO is not exposed to financial risks.

### **15b Liquidity Risk**

OLSO has no borrowings, and its net resource requirements are met from resources voted annually by Parliament to MoJ. MoJ then settles all of OLSO's financial transactions. The cash expended by MoJ to settle OLSO's bills is represented by "financing from the MoJ" of £1,438,604 (2009-10:

£1,435,205) in the Statement of Changes in Taxpayers' Equity. OLSO is not therefore exposed to significant liquidity risk.

### **15c Interest Rate Risk**

OLSO has no deposits, since cash at bank is held in MoJ's bank accounts and not included in these accounts, so OLSO is not exposed to interest rate risk.

### **15d Foreign Currency Risk**

All material assets and liabilities are denominated in sterling, so OLSO is not exposed to currency risk.

### **15e Credit Risk**

OLSO is exposed to minimal credit risk. The maximum exposure to credit risk is the risk from potential default of debtors and is equal to the total amount of outstanding receivables of £51,316 (note 7). OLSO has no collateral to mitigate against credit risk.

## **16 Accounting Policy Changes – Cost of Capital**

As part of the Clear Line of Sight project, HM Treasury announced the removal of the cost of capital charge from the 2010-11 accounts. It has been decided that this is a change of accounting policy requiring the restatement of the comparative figures. The effect of this restatement is to decrease costs by £984 in the Statement of Comprehensive Net Expenditure. The change has no impact on the Statement of Financial Position or Taxpayers Equity at 31 March 2010.



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