

The Office for Legal Complaints

Annual report and Accounts

For the nine month period ending 31 March 2010

LEGAL
OMBUDSMAN

The Office for Legal Complaints

Annual report and Accounts

For the nine month period ending 31 March 2010



Presented to Parliament pursuant to section 118 of the Legal Services Act 2007.

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Report of the Office for Legal Complaints

The Office for Legal Complaints (OLC) is responsible for the establishment and oversight of a new Ombudsman service for England and Wales. This is known as the Legal Ombudsman. It will be independent in its decision making, effective, modern, responsive and efficient. This is intended to remove the current uncertainty amongst consumers as to where, or to whom, they should address their complaint by creating a single gateway for these complaints and so to build confidence across the legal services sector.

The Legal Services Act 2007 established the Office for Legal Complaints. The OLC is required by Part 6 of the Act to operate in a way that promotes the regulatory objectives as set out in section 1(1) of the Act, which are:

- protecting and promoting the public interest;
- supporting the constitutional principle of law;
- improving access to justice;
- protecting and promoting the interests of consumers;
- promoting competition in the provision of services;
- encouraging an independent, strong, diverse and effective legal profession;
- increasing public understanding of the citizen's legal rights and duties; and
- promoting and maintaining adherence to the professional principles.

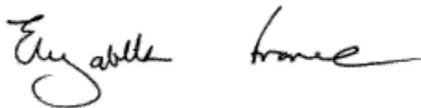
The establishment of our new Ombudsman scheme, and in particular, the proposed Ombudsman scheme rules, have these objectives at their heart. The existence of an independent Ombudsman scheme should promote confidence in the legal profession. We have designed the Ombudsman scheme rules and processes to ensure impartiality in decision making which will give both consumers and lawyers confidence in our process and therefore in the ability of the profession to sort out its problems. In relation to acting in the public interest, we hope access to independent redress speaks for itself.

It has been a key area of focus during this set up period to make sure that the Ombudsman scheme will be accessible to consumers who wish to seek redress. Our request to the Lord Chancellor to expand the scheme's jurisdictions from individuals to small business, charities, and others who perhaps do not have sufficiently deep pockets to access redress through the courts is consistent with this objective.

The Clementi Report and the Legal Services Act which followed it changed the landscape for handling consumer complaints about the service offered by lawyers. Complaints are currently handled first by the lawyer and then by a complex network of other bodies, mostly owned and operated by lawyers themselves. The new organisation supersedes those other bodies and is to provide a simple one-stop shop in the shape of an Ombudsman scheme for legal complaints which cannot be resolved by the lawyer's own complaint handling process. The Office for Legal Complaints is a Non-Departmental Public Body (NDPB) whose Ombudsman Scheme must operate with sufficient independence to command the confidence of consumers and the legal profession. The resources which it expends are to be drawn directly from the profession but are also subject to public accounting rules and as public monies by the Treasury ensuring our independence from the profession. The governance structure combines a board structure with the complexity of a dual line of accountability to both the Legal Services Board (LSB) and the Ministry of Justice (MOJ).

This report covers the period between 1 July 2009, when the OLC came into formal existence, and 31 March 2010. As described in our Business Plan, at 1 July 2009, the only member of staff then in post was the Chief Ombudsman - Adam Sampson who is also the Chief Executive and Accounting Officer. From that start, we have built both the organisation and our plans for the Ombudsman scheme which we were charged with the responsibility of establishing. We have decided that the scheme should be called the "Legal Ombudsman". Subject to parliamentary approval, the scheme is due to begin receiving complaints in October 2010. In order to meet the commitment of Ministers given during the passage of the Legal Services Act that the new organisation was to be based in the West Midlands, we have established our office in Birmingham. In the nine months to 31 March 2010 the organisation incurred start up expenditure costs of £2.5 million and acquired £0.4 million of Non Current Assets. This is well within the costs set out within the Business Plan and, subject to Parliament providing formal approval of the scheme commencement date, the organisation remains on target to deliver the implementation phase of the Ombudsman scheme to time and to budget.

In accordance with section 123 of the Legal Services Act 2007 the OLC received the Chief Ombudsman's report at our board meeting on 21 June. This report, which is included in full here, summarises the progress made against our business plan up to 31 March 2010. It sets out significant achievements which could not have been realised without the energetic and professional leadership provided by the Chief Ombudsman, the enthusiastic engagement of the staff who have joined us, and the willingness of my fellow non-executive directors to assist across a range of key areas of work in the period before executive staff had been recruited.



Elizabeth France
Chair

Chief Ombudsman's report

In future years, this Chief Ombudsman's Report will include, indeed centre on, a summary of the sorts of complaints dealt with by my team and myself over the past year. The report will provide examples of particularly interesting cases and discuss the emerging trends both in types and volumes of matters dealt with. As the new scheme is not yet open for business there are as yet no cases to report.

This report therefore describes the progress we have made toward establishing the Legal Ombudsman between 1 July 2009 and 31 March 2010, and the approach we intend to take to the resolution of complaints. The Legal Services Act enjoins the OLC, in setting up and administering the new Ombudsman scheme, to "have regard to any principles [which] represent the best practice of those who administer Ombudsman schemes". The design of our new scheme therefore draws heavily upon established best practice in existing Ombudsman operations. The approach taken accords with the British and Irish Ombudsman Association's defined principles: independence, openness, accountability, integrity, clarity of purpose and effectiveness. It aims to balance the need to provide speed with thoroughness, formality of decision-making with informal resolution, cost and quality.

The starting point for the scheme design was the scheme rules. Those rules were derived directly from the primary legislation; however, the final formulation was only decided following a consultation exercise undertaken during the early months of the OLC's existence. This consultation was followed by a similar consultation on the fee structure to be followed by the Ombudsman scheme. This provided us with an early opportunity to engage with both the profession and consumers on some of the key decisions to be taken by the new organisation.

The precise shape of the complaints handling process to be adopted has been described previously in our publications *Towards Establishing the Office for Legal Complaints and Business Plan* and has formed the basis of all aspects of our subsequent organisational design: including staffing, building design, IT, budget. All of these were determined by the need to deliver a speedy, informal and efficient complaints resolution service to deal with the 100,000 or so enquiries which we expected we might receive every year.

It has been difficult to aggregate the statistics for the level of complaints received by the existing complaints handlers (the schemes which the new Legal Ombudsman will replace). It remains difficult to predict how the number of complaints is likely to vary for economic reasons or because

of the shift from profession-owned complaints handling schemes to a new independent statutory scheme, and not least because the different schemes which the Legal Ombudsman supersedes have different definitions of what constitutes a complaint. Finally, we were aware that the shape and boundaries of the profession are likely to change over the lifetime of the scheme.

We set out to devise and implement a simple, efficient scheme but one with sufficient flexibility to cope with a variable level of demand. This task required us to pay very careful attention to the fundamental infrastructure of the new organisation, the establishment of which was the key activity over the period covered by this report. The approach which we have taken to the task of establishing the new scheme was set out in the Business Plan published in January 2010.

The Business Plan concentrated on the activities necessary to establish the scheme. These activities had been structured into a number of workstreams, each covering a discrete area of necessary work; this accords with recognised good practice in programme management. This report covers the progress in each of these workstreams.

Business Process

The key underpinning for the new scheme will be the rules by which it operates. During the summer and autumn of 2009, we engaged in a comprehensive consultation exercise with the profession, consumer groups and other stakeholders about the scheme rules and the case fee structure which accompanies them. This was crucial in influencing some of our thinking, with our initial proposals on, for example, time limits attached to aged complaints being altered in the light of feedback received. The final drafts of the scheme rules and case fee structures have now been accepted by the Lord Chancellor.

The underlying business process behind our handling of complaints has been specified. We have adopted a simple, five-stage, process:

- **Contact**, involving initial checking of the eligibility of the complaint, signposting ineligible complainants to suitable avenues of redress, and agreeing the complaint scope and the complainant's preferred remedy;
- **Allocation**, when eligibility is confirmed and the case is accepted and allocated to an investigator, and any necessary referral onwards to approved regulators takes place when a matter appears to involve potential professional misconduct;
- **Resolution**, where the case is investigated, seeking where possible informal resolution, and a report of findings and recommendation to an Ombudsman is produced;
- **Decision**, where if no agreed resolution is possible, an Ombudsman makes a decision which, if accepted by the complainant, is binding on both sides;
- **Enforcement**, of the agreed or imposed resolution.

These stages have informed the detailed business process, supported by the necessary process maps and supporting written material and have formed the basis for a detailed specification for our IT system.

One of the key activities necessary for the establishment of the new scheme has been to ensure that legal providers themselves provide a high standard of complaint handling. We have therefore worked with the Legal Services Board (LSB), the approved regulators and the legal profession to establish clear standards to govern the "first-stage" handling of complaints by legal firms, barristers' chambers and other lawyers. Ensuring access to the Ombudsman will be the subject of one of the first rules made by the LSB.

For the business process to be effective, we will also require regular exchange of information with approved regulators and other key stakeholders. We have agreed memoranda of understanding with each of the approved regulators and other such stakeholders in order to facilitate referrals in cases of misconduct and to enable the regulators to supply the Legal Ombudsman with information critical to the resolution of cases. These are to be published on the Legal Ombudsman website.

Chief Ombudsman's report

IT and telecoms

One of the key activities over the lifetime of the new organisation has been the design, sourcing and implementation of a high quality IT system to support our work. Such a system is necessary to enable us to work as efficiently as possible, to incorporate best practice from other Ombudsman schemes, to support flexible working practices, to minimise the wasteful use of paper, and to future-proof the organisation.

In approaching this task, we sought to learn from what had worked – and had not worked – on other similar IT development projects. In order to minimise risk, we liaised closely with Ministry of Justice IT specialists and, rather than seeking to create a bespoke system, we purchased one of the packaged systems which are commonly in use in other, similar schemes. We are now working with our IT suppliers to adapt it for our own purposes and to ensure that the core complaints handling scheme is fully integrated with other IT management tools, such as finance, HR and our knowledge management systems. We will need to keep the operation of the new system under review over the next few years in light of the strategic moves within the Ministry of Justice as far as possible to move towards a common IT platform.

People

When we began our work, we had no permanent employees other than the Chief Ombudsman. One of our first tasks was therefore to recruit staff in order to plan and set up the new organisation. Inevitably, many of the initial staff employed by the organisation were temporary: interim, agency or supplier staff. Nevertheless, we were eager to ensure that the culture of the new organisation was set from the start and in this, thanks to the quality of some of the temporary staff we were able to attract, we were largely successful. The eventual achievements of the permanent organisation will be built in part on the achievements of these staff.

We recognised that, in an organisation where between two thirds and three quarters of spend would be on employees and where human interaction is at the heart of the business process, the key determinant of success will be the quality of the permanent employees we recruit and the way in which those people are trained, deployed and managed. We have worked hard over the period covered by this report both to plan the shape, size and human resource policies of the new organisation and begin the process of recruitment.

The number of employees required will depend upon the level of demand and the level of productivity which can be expected. Both have been modelled based upon historical demand in the sector and the level of productivity achieved by other, similar schemes. The organisational structure was also based upon an analysis of what works in similar schemes.

In devising our human resources policies and in recruiting our staff, we were fortunate to enjoy the support of external suppliers whom we were able to appoint using the Ministry of Justice procurement process. The suite of HR policies, including the grade, performance management and reward structures, have now been decided and the pay remit is in the process of being submitted for Treasury approval. Recruitment of the 300 or so permanent staff has begun.

During the period covered by this report, we were able to recruit both the Deputy Chief Ombudsman, and six other Ombudsmen. All the senior executive team is also in post and advertisements have been placed for the majority of the remainder of the staff. It is expected that they will join us in waves between July and December 2010.

Premises

With IT and telecoms, the other major infrastructure project which we have been seeking to ensure is delivered to time, quality and budget is premises. For the first few months of its existence, the OLC did not have its own premises, operating instead out of the office of the Legal Services Board (for whose kindness we are very grateful). We researched the property market in the West Midlands and sought to match the available premises to the criteria which we had developed for our new base. We also took into account the longer-term strategic policy of the Ministry of Justice, not least since, under the Act, the consent of the Lord Chancellor was required for any premises which we take. We obtained the Lord Chancellor's consent and in March 2010, leased our preferred building. We have subsequently appointed a design and fit-out supplier and are on track to take full possession of the new premises in Baskerville House in the centre of Birmingham in the summer of 2010.

Knowledge Management and Quality

As well as establishing the tangible elements of the organisational infrastructure we have been working to deliver the softer elements too. While people will be key to the success of the new scheme, knowledge will be its most important commodity. Speed and efficiency of operation will also need to be balanced with quality: as we stated in our Business Plan, if the quality of the decision-making does not match the slickness of complaint handling, and if findings are unsound and remedies vary, the new scheme will fail to gain the confidence of consumers and the legal profession.

The key activity for the new Ombudsman team over the weeks and months in which they have been in post has been to create this bank of knowledge and the associated knowledge management and quality control systems. In this task, they have been aided by the fact that there are organisations which currently handle complaints about legal services and by the knowledge of other Ombudsman schemes working in comparable areas of practice. Much of this work is still at a relatively early stage and will only advance significantly as the organisation nears its go-live date. We have been able already to identify some key issues for our future and have also been working with two academic institutions, Northumbria University Law School and Queen Margaret's University, Edinburgh, to support both the training of our staff and the creation and maintenance of our knowledge management system.

Chief Ombudsman's report

Transition Planning

One of the most important parts of our task is to ensure that the transition from the existing to the new complaints handling arrangements is managed in such a way as to minimise as far as possible any negative impact on complainants, lawyers or the staff working for the existing entities. Since the new scheme will operate on a different basis from the existing schemes, it would not be right for the new Ombudsman scheme to take over work which has been started by other complaints handlers. During the period covered by this Report, we worked closely with our partner organisations to devise a transition mechanism which avoids confusion and cost as much as possible. While the details of the transition arrangements have not been entirely finalised, their outline is now clear and has been endorsed by the Ministry of Justice.

There was also extensive discussion about the arrangements for the staff working in the existing complaints handlers, particularly the Law Society staff working for the Legal Complaints Service. While there was a clear consensus in Parliament during the passage of the legislation that the new organisation should represent a complete break from the past, Ministers had given a general assurance to the staff working in the existing entities that efforts would be made to protect their interests in the transition. Following extensive negotiations during the second half of 2009, we decided on an approach to handling the staffing-up of the new organisation which we believed met both the intention of Parliament and the spirit of the Ministerial commitment. (This approach was endorsed by the then Minister).

A key part of the discussions about transition was the question of whether staff working for the Law Society's Legal Complaints Service had the right under the Transfer of Undertakings Protection of Employment (TUPE) regulations to transfer automatically across to the new Legal Ombudsman scheme. In early 2010, the Law Society mounted an action in the High Court to establish the precise legal position. In the event, the clear conclusion of the court was that TUPE did not apply. We have therefore continued to staff up the new organisation on the basis that, while we would recruit our staff from the open market on open market terms and conditions, we would make every effort to ensure that staff working for the existing entities would be encouraged to apply for roles and enabled to compete effectively for those roles.

External Affairs and Communications

The new organisation also has had to establish itself in the minds of the profession and consumers, both in its set-up period and, more importantly, once it is launched. Before the scheme launches, we need to engage both the legal profession and their customers in discussions about our plans. Once launch nears, we will need a good quality communications plan to explain to all parties what they can expect from us.

The process of consultation was one of the major priorities of the organisation over the period covered by this report. Consultations have been held on the scheme rules, the case fee structure, our business plan, and the transitional arrangements. We have also prepared to launch a consultation on our publication scheme. In addition, together with the Legal Services Board, we have consulted on the arrangements for first-tier complaints handling.

Compliance

The new organisation is a body corporate established under statute, with all the legal and moral responsibilities which that implies. In addition, as an Ombudsman scheme, we will be in the position of critiquing others' adherence to proper standards of behaviour and customer care. We therefore need to show not only that we fully comply with all the relevant statutory requirements, such as Freedom of Information and Data Protection legislation, but that we deliver excellent customer service and adhere to high standards of behaviour in everything we do.

We have therefore spent a considerable amount of time on compliance over the period covered by this report. Our Head of Compliance has a brief not merely to ensure legal compliance but also to begin to grapple with issues such as our approach to corporate social responsibility and environmental sustainability; this latter has been reflected directly in the selection and design of our premises. The organisation has also sought to give a high priority to issues of accessibility, diversity and equality. We have worked closely with external bodies including the Legal Services Board Consumer Panel and asked them to review our plans in case we were putting in place any unrecognised barriers to consumers in our proposed processes. We have also sought to gauge our proposed approach and processes with practitioners directly as well as their representative bodies through discussion forums. One of the Ombudsmen has been given direct responsibility leading on the issues of diversity and equality and she will be taking this work forward over the next few months.

Programme delivery

Thanks to the quality of the staff who were taken on to aid the establishment of the new organisation, the delivery of the programme overall during the period covered by this report has been highly satisfactory. The obstacles faced during the course of the project, be they the negotiation of the sometimes complex and lengthy Government procurement processes, or the challenges inherent in negotiating the transfer of responsibility for complaints handling from the existing entities to the new organisation, have largely been overcome. In this task, we have been grateful for the support we have received from the profession, consumer groups, and colleagues at the Legal Services Board and Ministry of Justice.

We are on track to deliver what Parliament intended within the timeframe and budgets given to us. We are aiming for the new organisation to begin receiving complaints on 6 October 2010. However, that planned commencement date requires formal parliamentary approval. Should pressures on parliamentary time delay the grant of this formal approval, this may yet prevent us from achieving the planned opening date of 6 October 2010 and extend the organisation's implementation phase. We are confident that we, with the Ministry of Justice, are able to manage the associated costs of any extension to our implementation phase.

As a start-up organisation based on as yet untested processes and systems, we know that we will inevitably need to revisit and refine some of the decisions we have made about the set up of the organisation. We are nevertheless confident that we have put in place the infrastructure for an organisation which will be capable of resolving the inevitable teething problems and of delivering an effective scheme for both legal professionals and consumers alike.

Risk management

Throughout the set up phase of the organisation appropriate attention has been given to risk and risk management. A risk register has been maintained and key risks have been aggregated and reported to the Accounting Officer through regular programme risk review meetings and also to the Board.

Corporate Governance

The OLC

In accordance with Schedule 15 paragraph 1 of the Legal Services Act 2007 the OLC comprises seven members of whom the Chair and majority are lay members. During the period April to June 2009 three “designate” OLC meetings took place prior to the first formal meeting held in July 2009. There was full attendance by members at each of the designate meetings. The following table records attendance at the subsequent 9 formal meetings held during the nine months to 31 March 2010 inclusive, and sets out the dates and term of their appointments.

Members	Meeting attendance 2009-10
Elizabeth France (Chair)	Attended 9 of 9
Rosemary Carter	Attended 9 of 9
Margaret Doyle	Attended 9 of 9
Tony Foster	Attended 8 of 9
Professor Mary Seneviratne	Attended 9 of 9
Brian Woods-Scawen	Attended 7 of 9
David Thomas	Attended 9 of 9

No Board members have resigned.

Board Committees

The OLC has established an Audit and Risk Committee and a Remuneration and Nomination Committee.

The quorum for both committees is three. It should be noted that when a committee is taking a formal decision, views from non-attendees may be accepted in writing or by telephone and to ensure that any absent members are aware of the nuance of debate, a resolution is circulated to all members after a committee meeting and a decision taken by email. All Audit and Risk Committee and Remuneration and Nomination Committee meetings have followed this protocol and therefore have been quorate.

Audit and Risk Committee

The Audit and Risk Committee is responsible for reviewing the establishment and maintenance of an effective system of integrated management control of risk across the whole of the organisation's activities. During the period April – June 2009 three "designate" Audit and Risk Committee meetings took place prior to the first formal meeting held in October 2009. The following table records actual attendance at the subsequent 2 formal Audit and Risk Committee meetings held during the period October 2009 to March 2010 inclusive.

Members	Meeting attendance 2009-10
Brian Woods-Scawen (Chair)	Attended 2 of 2
Tony Foster	Attended 1 of 2
Mary Seneviratne	Attended 2 of 2

Audit and Risk Committee report

The Committee was set up in July 2009 and is responsible for reviewing the establishment and maintenance of an effective system of integrated management control of risk across the whole of the organisation's activities.

During the year the Committee agreed Internal and External Audit Plans and was pleased to receive reassurance from the Internal Auditors on the effectiveness of the organisation's internal control systems. Along with the OLC, the Committee regularly reviewed the Risk Assurance Framework and the process for identifying and managing major strategic risks associated with the set up of a new non-departmental public body. The Committee also fulfilled the important role of agreeing the Statement on Internal Control and scrutinising and approving accounting policies and draft and final statutory accounts prior to ratification by the Board.

Looking forward, the Audit and Risk Committee will undertake a self assessment of its effectiveness based on the November 2009 National Audit Office publication "The Audit Committee Self Assessment Checklist".

We would like to thank all those who have shown such commitment to the work of our Committee – committee members, the executive management, their teams and our Internal Audit and External Audit partners.

Corporate Governance

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for the overall remuneration approach and policy relating to all members of staff working within the Legal Ombudsman scheme. The following table records attendance at the Remuneration and Nomination Committee meetings held during the period July 2009 to March 2010 inclusive.

Members	Meeting attendance 2009-10
Rosemary Carter (Chair)	Attended 7 of 7
Margaret Doyle	Attended 7 of 7
Tony Foster	Attended 7 of 7

Remuneration and Nomination Committee report

The Committee has made good progress in the year and through its activities has been able to provide reassurance to the Board on important matters relating to the set up of the organisation. Committee members have rigorously and appropriately challenged executive staff and external partners to ensure that data and governance processes are effective and transparent.

The main areas of business considered up to April 2010 were:

- resourcing strategy;
- pay and reward framework;
- performance management / competency framework;
- fixed and flexible benefits structure; and
- training.

The principles of reward and an employee deal have been developed by the Executive team and agreed by the Remuneration Committee and have been used as the basis for developing the approach to reward. The principles emphasise that reward should attract the right people, be fair and equitable, and enable a performance and learning culture.

Finally, the Committee extends its grateful thanks to OLC staff for their commitment to good governance, their well-prepared reports, their positive and constructive responses to recommendations, and their conscientious support of the work of the Committee.

Payment of creditors

The OLC is committed to paying supplier invoices by the due date or within 30 days of receipt if no due date has been agreed, and to dealing with payment queries promptly and ensuring any undue delay is notified to the supplier in a timely fashion.

Auditors

KPMG LLP has been appointed to provide Internal Audit services to the OLC. During the nine months to 31 March 2010 KPMG has indicated that the cost of internal audit work performed amounts to £4,563 and this amount has been provided for in the accounts.

The OLC's annual accounts are audited by the Comptroller and Auditor General (C&AG) in accordance with the Legal Services Act Schedule 15 Section 26(5). For the period to 31 March 2010 the C&AG has estimated that the cost of work performed will be £23,340 and this amount has been provided for in the accounts. The audit services provided by C&AG staff relates only to statutory audit work.

So far as the Accounting Officer is aware, there is no relevant information of which the OLC's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

Format of Accounts

The accounts have been prepared in a form directed by the Lord Chancellor and Secretary of State for Justice with the approval of HM Treasury and in accordance with the Legal Services Act 2007.



Adam Sampson
Accounting Officer

Remuneration Report

The Chair and other OLC board members are remunerated by the Legal Services Board and their remuneration is also disclosed in the accounts of that body. The Chief Ombudsman is remunerated by the OLC.

	Date appointed	Took up post	Term
Elizabeth France (Chair)	31 Oct 2008	1st Nov 2008	3 years from date of appointment
Rosemary Carter*	1 Feb 2009	1st Jul 2009	3 years from date of appointment
Margaret Doyle*	1 Feb 2009	1st Jul 2009	3 years from date of appointment
Tony Foster*	1 Feb 2009	1st Jul 2009	3 years from date of appointment
Professor Mary Seneviratne	1 Feb 2009	1st Jul 2009	3 years from date of appointment
Brian Woods-Scawen	1 Feb 2009	1st Jul 2009	3 years from date of appointment
David Thomas	1 Feb 2009	1st Jul 2009	3 years from date of appointment
Adam Sampson**	1 Jul 2009	1st Jul 2009	6 months notice on either side

* - Members of the Remuneration and Nomination Committee

** - Chief Ombudsman, Chief Executive and Accounting Officer

The OLC members are appointed by the Legal Services Board. They may be appointed for a fixed term of up to 5 years and may then be re-appointed for one further fixed term of up to 5 years. OLC members may be removed by the Legal Services Board only under the circumstances set out in Schedule 15s.8(2) of the Legal Services Act 2007, and the Chair may only be removed with the agreement of the Lord Chancellor. If the Legal Services Board thinks there are circumstances that make it right for a person ceasing to hold office as chairman or another member to receive compensation, the OLC may pay that person such compensation as the Legal Services Board may determine.

The remuneration of the Chief Ombudsman and the board members is shown in the tables below and has been subject to audit. There were no benefits in kind.

Board Remuneration	Annual Rate £	1st July 2009 to 31st March 2010 £
Elizabeth France (Chair)	70,000	52,500
Rosemary Carter	10,000	7,500
Margaret Doyle	10,000	7,500
Tony Foster	10,000	7,500
Professor Mary Seneviratne	10,000	7,500
Brian Woods-Scawen CBE	10,000	7,500
David Thomas	10,000	7,500

Board members received remuneration in respect of work performed prior to the formal establishment of the OLC on 1 July 2009. The total of this remuneration was £5,575. The remuneration table above includes only those payments in respect of the period from 1st July 2009 when the OLC was formally established.

The Chair's remuneration reflects the significantly higher proportion of time which the Chair is contracted to spend on OLC matters. Details of expenses claimed by the Board will be published and publicly available on the Legal Ombudsman website.

The Chief Ombudsman, Adam Sampson, was remunerated by the OLC as follows:

	Salary £	Pension £	Total £
Period from 1 July 2009 to 31 March 2010	102,375	10,238	112,613
Annualised Remuneration	136,500	13,650	150,150

During the 9 months to 31 March 2010 employees were paid a supplement to their salary in lieu of employer pension contributions. In April 2010 a defined contribution pension scheme was established and the supplement in lieu of employer pension was discontinued.



Adam Sampson
Accounting Officer

Date: Monday 5 July 2010

Accounting Officer's responsibilities

Under the Legal Services Act 2007 the Lord Chancellor and the Secretary of State for Justice, with the approval of the HM Treasury, in accordance with the OLC's financial memorandum, has directed the Office for Legal Complaints to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Office for Legal Complaints and of its net expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Ministry of Justice has appointed the Chief Executive as Accounting Officer of the Office for Legal Complaints. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Office for Legal Complaints' assets, are set out in the Accounting Officer Memorandum issued by the HM Treasury (published in Managing Public Money).

Statement on Internal Control

Scope of responsibility

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

During the nine months to 31 March 2010 I have been supported by both the Legal Services Board (LSB) and the Ministry of Justice (MOJ). The MOJ has established a Sponsor team that provides support, advice and guidance on a range of issues including assurance on procurement, compliance issues, commencement orders and value for money. We have agreed a Management Statement and a Financial Memorandum that define the governance arrangements with the MOJ. A trilateral meeting occurs monthly between the three organisations. The Chief Executive of the LSB attends the Audit and Risk Committee meetings in order to receive assurance on the development of the risk and control framework.

This Statement is also supported by a self evaluation of the systems of risk and control which has been endorsed by the senior management team and reviewed by the audit and risk committee.

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 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 the Office for Legal Complaints for the nine month period ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. The Office for Legal Complaints is a new organisation and the system of internal control is appropriate for the set up phase.

Capacity to handle risk

Risk is managed at both a strategic and operational level within the Office for Legal Complaints. A summary of current risks, an assessment of their impact and likelihood and the trends in those risks is reviewed at each Board meeting as a standing agenda item. The Board is also able to place reliance on the work of the independent Audit and Risk Committee. The Audit and Risk Committee work focuses on the framework of risk, control and related assurances that underpin the delivery of the OLC's objectives.

A risk register is in place that is overseen by myself and it is reviewed monthly by the Executive Management Team. The project nature of the start up has led to an emphasis being placed on identifying and managing risk. Risks are identified at the programme level and escalated to an organizational level where appropriate. A weekly programme meeting schedule enables staff to be kept informed of risks and for appropriate actions to be identified to manage those risks. While the Legal Ombudsman has been in set up mode it has recruited and retained appropriately qualified and experienced staff with the capacity to manage risk within their areas of responsibility. These include Financial, Operational, Human Resource and Compliance staff who all have individual risk management responsibilities. Staff are inducted to ensure they understand the nature of the Legal Ombudsman and the way it manages risk.

Statement on Internal Control

The risk and control framework

The risk and control framework has been created to effectively manage risk at a strategic and operational level. Throughout the nine month period, the OLC Board has maintained strategic oversight and review of internal control, project governance and the related risk management arrangements through regular reports by the Executive Management Team on their areas of responsibility and through specific papers for discussion at Board meetings.

The Audit and Risk Committee also regularly review the risk assurance framework and the process of identifying and managing strategic risks.

The Audit and Risk Committee, which meets on a quarterly basis, has considered:

- Individual internal audit reports and management responses
- The internal auditors' annual report and opinion on the adequacy of our internal control system
- National Audit Office audit reports and recommendations
- Development of the Legal Ombudsman's approach to risk management

The major risks during start up were identified as:

- Setting up of an appropriate control framework, including delegation of responsibilities and levels of approval
- Recruiting a capable Senior Management team
- Locating the organisation in Birmingham, procuring premises and IT
- Building effective stakeholder relationships with the MOJ, LSB, Law Society and other approved regulators

Controls rely upon a range of measures including:

- Corporate governance & management structures
- Internal audit
- Financial management procedures
- Data handling

Corporate governance arrangements have been implemented to ensure that a meaningful statement of internal control can be prepared and that accurate assurances can be reliably made. As a set up the Legal Ombudsman has had very few staff which has created some challenges in creating a robust control arrangement. Where practicable, segregation of duties has been achieved throughout the period and this has been supplemented by management oversight. The systems are proportionate to the organisational size and the level of the risk.

The organisation has recognised the risks around information security and all staff are required to undertake and pass at least Level 1 of the Cabinet Office Information Assurance e-learning package, with line management staff undertaking Level 2. The organisation has allocated the roles and responsibilities associated with data assurance to specific staff. No incidents of data security breaches have occurred during the period. Business continuity and disaster recovery plans are being developed for implementation and testing prior to the "go-live" date however appropriate resilience is being built into infrastructure and systems during set up phase.

As the organisation moves to a “steady state” operation it has identified a new series of risks to manage. These are:

- The conclusion of the premises and IT set ups;
- The recruitment and induction of staff;
- The matching of organizational capacity with actual demand;
- Developing appropriate risk and control framework for the “steady state” entity; and
- Business continuity and disaster recovery planning.

Policies in these areas will be developed and implemented during the current year.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Legal Ombudsman 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. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit and Risk Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Internal audit (KPMG) have undertaken reviews of the financial control systems with KPMG also reviewing the project governance. The audits have identified systems as being currently appropriate but requiring future improvements as the organisation develops and moves in to operational phase. KPMG concluded that the Legal Ombudsman project and programme governance structure is appropriate to the current needs of the organisation and has a number of good practices in place.

The Legal Ombudsman has agreed to implement all recommendations to ensure the systems are developed in line with the organisation’s growth. The internal audit work performed to date has provided adequate assurance that sufficient and effective controls are either in place or being implemented to address the current level of activity.

It is recognised that development will be required as a part of the project set up to ensure that a suitable range of controls is developed and put in place to meet the requirements for the steady state in 2010/11 and beyond.

There was a theft of 5 laptops from the office during the period as a result of which physical security was increased to include securing laptops to desks or locking in the safe whilst not in use. Due to control measures on the storage of data no information security breach resulted from this incident.

There have been no significant weaknesses in the control and risk arrangements in the year.



Adam Sampson
Accounting Officer

Date: Monday 5 July 2010
Office for Legal Complaints

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Office for Legal Complaints for the nine month period ended 31 March 2010 under the Legal Services Act 2007. These comprise the Net Expenditure Account, 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 and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive, as 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 the financial statements in accordance with applicable law and 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 for Legal Complaint's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office for Legal Complaints; and the overall presentation of the financial statements.

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 the Office for Legal Complaints' affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the nine months then ended; and
- the financial statements have been properly prepared in accordance the Legal Services Act 2007 and the accounts direction issued thereunder by the Lord Chancellor and the Secretary of State for Justice, with the approval of HM Treasury.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the directions issued under the Legal Services Act 2007 and the accounts direction issued thereunder by the Lord Chancellor and the Secretary of State for Justice, with the approval of HM Treasury; and
- the information in the 'Corporate Governance' and 'Report of the Office for Legal Complaints' sections of the Annual Report for the 9 month financial period 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 returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements 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.

Amyas C E Morse

Comptroller and Auditor General

Date: Friday 9 July 2010

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Net Expenditure Account

For the nine month period ending 31 March 2010

Expenditure	Note	2009-10 £'000
Staff costs	3	1,131
Depreciation	4	5
Other Expenditures	4	1,784
		2,920
Income		
Income from the Levy		2,956
Case Fees and Other Income		-
Net Expenditure		(36)
Cost of Capital	4	37
Interest receivable		(1)
Net Expenditure after cost of capital charge and interest		-

All expenditure is derived from continuing activities.

As the OLC was formally constituted on 1 July 2009, the 9 month period ending 31 March 2010 is the OLC's first period of account. Hence there are no opening balances or comparative figures to report.

Statement of Financial Position

As at 31 March 2010	Note	2010 £'000	2010 £'000
Non-current assets:			
Property, plant and equipment	5	83	
Intangible assets	6	300	
Total non-current assets			383
Current assets:			
Trade and other receivables	8	3,168	
Cash and cash equivalents	9	1,286	
Total current assets			4,454
Total assets			4,837
Current liabilities			
Trade and other payables	10	692	
Other liabilities		657	
Total current liabilities			1,349
Non-current assets plus/less net current assets/liabilities			3,488
Assets less liabilities			3,488
Reserves			
General reserve		3,488	
Total			3,488

As the OLC was formally constituted on 1 July 2009, the 9 month period ending 31 March 2010 is the OLC's first period of account. Hence there are no opening balances or comparative figures to report.



Adam Sampson
Accounting Officer

Date: Monday 5 July 2010

The notes on pages 28 to 34 are part of these financial statements.

Financial Statements

Statement of Cash Flows

For the nine month period ending 31 March 2010

Cash flows from operating activities	Note	2009-10 £'000
Net Surplus after cost of capital and interest		-
Adjustments for cost of capital charge	4	37
(Increase)/Decrease in trade and other receivables	8	(3,168)
Increase/(Decrease) in trade payables	10	1,349
Add back depreciation charge	4	5
Add back amortisation charge	4	1
Write off of Assets	5	9
Net cash outflow from operating activities		(1,767)
Cash flows from investing activities		
Purchase of property, plant and equipment	5	(97)
Purchase of intangible assets	6	(301)
Net cash outflow from investing activities		(398)
Cash flows from financing activities		
Grants from parent department		3,451
Net financing		3,451
Net increase/(decrease) in cash and cash equivalents in the period		1,286
Cash and cash equivalents at the beginning of the period	9	-
Cash and cash equivalents at the end of the period	9	1,286

As the OLC was formally constituted on 1 July 2009, the nine month period ending 31 March 2010 is the OLC's first period of account. Hence there are no opening balances or comparative figures to report.

The notes on pages 28 to 34 are part of these financial statements.

Statement of Changes in Taxpayer's Equity

For the nine month period ending 31 March 2010

	Note	General Reserve £'000	Total Reserves £'000
Balance at 1 July 2009		-	-
Non-cash charges – cost of capital	4	37	37
Retained Surplus/Deficit		-	-
Total recognised Income and Expense for 2009-10		37	37
Grant from Ministry of Justice		3,451	3,451
Balance at 31 March 2010		3,488	3,488

The notes on pages 28 to 34 are part of these financial statements.

Notes to the Office for Legal Complaints Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 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. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Office for Legal Complaints for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Office for Legal Complaints are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

Going concern

The OLC is a statutory body established by the Legal Services Act 2007. Under the Legal Services Act 2007, the OLC is funded by a levy upon the legal profession. The Ministry of Justice provides Grant in Aid to meet the net cash needs of the OLC. The OLC has assurances from the Ministry of Justice that Grant in Aid will continue to be provided to meet the cash needs of the organisation and the OLC continues to have the support of ministers and the legal profession. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Income

The Office for Legal Complaints is funded by a levy on the legal profession, and through case fees which may be charged to individual firms in accordance with the scheme rules. Amounts due in respect of the levy and in respect of case fees are recognized as income in the year to which related expenditure is incurred.

Government Grants

The net cash needs of the OLC are financed by the Ministry of Justice through the Grant in Aid regime. Grant in Aid is not shown as income, but in line with FReM guidance, is shown as financing in the General Reserve.

Property, plant and equipment,

The Office for Legal Complaints recognises property plant and equipment under IAS16 and writes off in the year of acquisition any individual expenditure of less than £1,000 on capital equipment and furnishings. Capital assets with a purchase cost of at least £1,000 are depreciated down to residual value over their useful economic life by equal monthly installments, the first installments being charged in the month of bringing the asset into use and no charge being made in the month of disposal.

The following rates of depreciation are applied:

- Furniture and equipment over five years
- Computer hardware between 3 and 5 years

Intangible assets

The Office for Legal Complaints recognises Intangible assets using the cost model under IAS16 and has determined that the following rates of depreciation will apply:

- Computer software over five years

Leases

Operating Lease payments are recognised as an expense on a straight-line basis over the lease term.

Value Added Tax

The Office for Legal Complaints is not registered for VAT as its services fall outside of the scope of VAT. As a result the OLC is unable to recover VAT and therefore all expenditure and the capitalised value of non-current assets includes this irrecoverable VAT.

Capital charge

A charge, reflecting the cost of capital utilised by the OLC, is included in the Net Expenditure Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average net assets held by the OLC.

Notes to the Office for Legal Complaints Accounts

2. Analysis of Net Expenditure by Segment

The Office for Legal Complaints has only one principal operation being the provision of an independent and impartial Ombudsman scheme to resolve consumer's disputes involving their lawyer.

3. Staff Numbers and related costs

Staff costs comprise	2009-10 Total £'000	Permanently Employed staff £'000	Others £'000
Wages and salaries	1,088	267	821
Social security costs	43	32	11
Other pension costs	-	-	-
Sub Total	1,131	299	832
Less recoveries in respect of outward secondments	-	-	-
Total net costs	1,131	299	832

The Office for Legal Complaints has established a defined contribution scheme for its current and future employees. During the nine months to 31 March 2010 employees were paid a supplement to their salary in lieu of employer pension contributions. From 1st April 2010 all employees are eligible to join the OLC pension scheme, which is a defined contribution scheme.

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

Number	2009-10 Total No.	Permanently employed staff No.	Others No.
Directly Employed	6	4	2
Other	4	-	4
Total	10	4	6

4. Other Expenditure

	Note	2009-10 £'000
OLC set up costs		1,039
Running costs		170
Rentals under operating leases		46
Legal fees		228
Recruitment costs		183
External communications		80
Audit fees		23
Internal Audit fees		5
Non-cash items		
Depreciation	5	5
Amortisation	6	1
Loss on disposal of property, plant and equipment		9
Cost of Capital charges		37
Total		1,826

OLC Set up costs includes £382,000 which was incurred by the Ministry of Justice prior to the OLC coming into formal existence on 1 July 2009. These costs, which represent leviable expenditure under Section 173 of the Legal Services Act, and the corresponding levy income, have therefore been recognised in these financial statements.

5. Property, plant and equipment

	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or Valuation			
At 1 July 2009	-	-	-
Additions	96	1	97
Disposals	(9)	-	(9)
At 31 March 2010	87	1	88
Depreciation			
At 1 July 2009	-	-	-
Charged in year	5	-	5
Disposals	-	-	-
At 31 March 2010	5	-	5
Net book value at 31 March 2010	82	1	83
Net book value at 1 July 2009	-	-	-

No assets have been purchased under finance lease arrangements.

Notes to the Office for Legal Complaints Accounts

6. Intangible Assets

	Software Development £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or valuation			
At 1 July 2009	-	-	-
Additions	6	295	301
Disposals	-	-	-
At 31 March 2010	6	295	301
Amortisation			
At 1 July 2009			
Charged in year	1	-	1
Disposals	-	-	-
At 31 March 2010	1	-	1
Net book value at 31 March 2010	5	295	300
Net book value at 31 July 2009	-	-	-

7. Impairments

No Impairments have been made during the period to 31 March 2010.

8. Trade receivables and other current assets

Amounts falling due within one year	As at 31 March 2010 £'000
Levy amounts due	2,956
Deposits and advances	23
Other receivables	125
Prepayments and accrued Income	64
Total	3,168

All of the balances above are with bodies external to government. As set out in Note 4, Levy amounts due include £382,000 in respect of expenditure incurred by the Ministry of Justice in connection with the establishment of the OLC prior to 1 July 2009 and £2,574,000 in respect of the 9 month period from 1 July 2009 to 31 March 2010.

9. Cash and Cash Equivalents

	As at 31 March 2010 £'000
Balance at 1 July 2009	-
Net change in cash and cash equivalent balances	1,286
Balance at 31 March 2010	1,286
The following balances at 31 March were held at:	
Commercial banks and cash in hand	1,286
Short term investments	-
Balance at 31 March	1,286

10. Trade payables and other current liabilities

Amounts falling due within one year	As at 31 March 2010 £'000
Other taxation and social security	-
Trade payables	646
Intra-Government balances – Ministry of Justice	382
Other payables	46
Accruals and deferred Income	275
Total	1,349

11. Capital Commitments

Contracted capital commitments at 31 March 2010 not otherwise included in these financial statements amounted to £335,650.

12. Commitments under leases

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

Obligations under operating leases comprise	2009-10 £'000
Buildings	
Not Later than one year	171
Later than one year and not later than five years	2,606
Total	2,777

On the 3rd March 2010 the Office for Legal Complaints entered a lease for its main premises at Baskerville House in Birmingham. The lease is for a 10 year period with a break option after 5 years. The OLC has entered into no finance leases or PFI contracts.

Notes to the Office for Legal Complaints Accounts

13. Contingent liabilities disclosed under IAS 37

The Office for Legal Complaints has no contingent liabilities

14. Financial Instruments

As the cash requirements of the Office for Legal Complaints are met through Grant-in-Aid provided by The Ministry of Justice, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The OLC is therefore currently exposed to little credit, liquidity or market risk.

15. Related-party transactions

The Office for Legal Complaints has a direct relationship with the Legal Services Board. Under the Legal Services Act 2007 the LSB is responsible for appointing and paying the salaries and expenses of OLC board members. During the period there were no material transactions with the OLC itself.

The Ministry of Justice is the OLC's parent body and provides working capital financing to the OLC under the Grant in Aid scheme. During the period to 31 March 2010 the Ministry of Justice provided Grant in Aid of £3.45 million.

No board member, key manager or other related parties has undertaken any material transactions with the Office for Legal Complaints during the year.

16. Events after the reporting period

In accordance with IAS10 (Events after the Reporting Period) events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the certificate and report of the Comptroller and Auditor General. There are no events after the reporting period to report.





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