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Legal Services Complaints Commissioner

Annual Accounts 2009-10

Legal Services Complaints Commissioner

Annual Accounts

2009-10

(For the year ended 31 March 2010)

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Commissioner's Foreword

This is a momentous time for the delivery and regulation of legal services, and I am pleased to be able to present my final Annual Accounts at such an exciting time. The reforms of the past five years are now coming to fruition with the full establishment of the Legal Services Board and the Office for Legal Complaints. Expectations for these new bodies and the profession they preside over are high.

With the establishment of the Legal Services Board and the Office for Legal Complaints my work has come to an end, and my Office closed on 31 March 2010. The outlook and optimism for legal services regulation and complaints handling could not be more different from when I was appointed as Legal Services Complaints Commissioner in 2004.

There has been a major turnaround in performance in complaints handling about solicitors, and I covered this fully in my final Annual Report "Past Present Future", which was laid before Parliament on 24 February 2010. I am pleased to be able to leave this record of how the successful turnaround was achieved, but also to convey that it was not always easy - as it is important that the lessons my Office learned in achieving positive outcomes for consumers and the legal profession are not lost in the transition to the new structures.

My final Annual Accounts record how a strong 'value for money' philosophy was maintained by my Office, while it undertook its important tasks.

I have high hopes for an even brighter future for legal services and wish all who work in this arena, continued success.

Zahida Manzoor, CBE
Former Legal Services Complaints Commissioner

Date: 23 June 2010

Office of the Legal Services Complaints Commissioner

Statement of Purpose

The Office of the Legal Services Complaints Commissioner (OLSCC) works with the Law Society, on behalf of consumers, to improve the way it handles complaints about solicitors in England and Wales. It is an associate office of the Ministry of Justice. The Legal Services Complaints Commissioner was Zahida Manzoor CBE. She was appointed in 2004. In 2009-10 she held the position as Commissioner concurrently with that of Legal Services Ombudsman for England and Wales.

OLSCC's mission is to:

- regulate the Law Society, to ensure that it handles complaints about its members effectively and efficiently, providing consumers with a fair and prompt quality service; and
- positively influence and support the Law Society, and to work fairly, openly and honestly with it and all our stakeholders.

OLSCC's vision is to:

- secure a Law Society complaints process that provides a fair and prompt quality service to the consumers of legal services; and
- be an organisation that consumers, stakeholders and our staff can have confidence in and be proud of.

OLSCC's strategy includes:

- working in partnership with the Law Society;
- committing to evidence based analysis and feedback;
- operating within the Better Regulation Executive principles;
- ensuring transparency, openness and impartiality;
- building improvements in our own performance;
- fostering open and honest communication; and providing value for money.

Management Commentary

Background

The Legal Services Complaints Commissioner was appointed by the Lord Chancellor in February 2004, with full powers under the Access to Justice Act 1999 in relation to the Law Society of England and Wales. The Commissioner examines the Law Society's capability to handle complaints made about its members efficiently and effectively, and review its end-to-end processes.

The regulatory goal with the Law Society was to move its complaints handling away from crisis and poor performance and towards the delivery of an efficient and effective service for consumers and the legal profession in order to:

- improve the speed with which complaints are closed;
- improve quality and consistency;
- improve consumer experience; and a reduced backlog of work.

Office Closure

From 1 April 2009, the Secretary of State and Lord Chancellor amended the Complaints Commissioner's powers, to align them with the government's priorities for the Legal Complaints Service as a consequence of the Legal Services Act 2007. This Act sees the establishment of the Legal Services Board as the oversight regulator of all the legal professional bodies. It was fully operational from 1 January 2010. It also sees the establishment of the Office for Legal Complaints (OLC), which will handle complaints about lawyers, and is independent of their legal professional bodies. It expects to start to handle complaints from autumn 2010. OLC is an executive Non Departmental Public Body of the Ministry of Justice.

As a result of the Legal Services Act 2007 and the establishment of the Office for Legal Complaints the OLSCC closed on 31 March 2010. Consequently this is the last set of accounts that will be produced for the Office.

Financial Overview

The accounts are prepared on an accruals basis as at 31 March 2010 and give a true and fair view of the state of affairs of the OLSCC and the net operating cost and cash flow for the financial year. The accounts are prepared on a going concern basis in accordance with the requirements of the FReM. This is because OLSCC's functions in relation to legal complaints will be handled by OLC and LSB.

The imminent closure of the Office has resulted in a significant reduction in expenditure in 2009-10. Total costs for 2009-10 were £707,731 (2008-09 - £1,283,723), largely reflecting a reduction in staff numbers and related staff costs from £735,516 in 2008-09 to £373,613 in 2009-10. The OLSCC staff employed in the Leeds office gradually moved to other roles within the Civil Service during the year. There were no compulsory redundancies.

The basis of recharging for Ministry of Justice overheads has altered in 2009-10, resulting in a reduction in charges from £141,320 in 2008-09 to £21,425 in 2009-10.

Following the closure of the OLSCC all assets and liabilities have been transferred to the Ministry of Justice.

Non-cash costs are included to show the full cost of operating OLSCC. They include a notional audit fee of £13,500 (2008-09: £13,000), an amount agreed with the National Audit Office.

Annual Report

The OLSCC Annual Report for 2009-10 has been published as a document separate from the accounts. This is a departure from previous practice when the Annual Report and Accounts were published as one document. The 2009-10 Annual Report shows the aims and achievements of the OLSCC in much greater detail. Further details about the OLSCC Annual Report can be found at the website www.olsc.gov.uk

Advisory and Consumer Board Members

Colin Brown

The Policy Director at the Office of Fair Trading, Colin joined the OFT in 2003 after three years as Chairman of the Financial Services Consumer Panel. He also worked as an independent consultant specialising in consumer policy and research, both in the UK and internationally. Before that he was Deputy Research Director at the Consumers' Association and Senior Fellow at the Policy Studies Institute.

Rob Chester

Currently Head of Risk and Deputy Company Secretary for Asda Stores Limited, he has an extremely broad role to assess and adequately control the risks that exist in a twenty first century retailer. Prior to joining Asda, Rob spent ten years at Tesco. Whilst progressing his retail career Rob also studied for a Law Degree and latterly the Legal Practice Course.

The Countess of Eglinton and Winton

A fundraiser for the NSPCC since 1960, becoming a Trustee 1993 – 2003, she also served as a Trustee of the NSPCC Pension Scheme. Marion was a Governor of the Royal Masonic School for Girls 1992 - 1998. She is currently fund raising and organising events for Leonard Cheshire Scotland.

Louise Hanson

Louise has worked at Which?, the largest consumer organisation in Europe, since February 2000. She joined as a Senior Public Affairs Officer and became Head of Campaigns in July 2003. Previously she worked in campaigns and public affairs at Oxfam and Townswomen's Guilds.

David Harker OBE

Chief Executive of Citizens Advice since 1997, David joined Citizens Advice from Sense, the national disability charity, where he was managing director. His earlier career included management consultancy, running an inner city charity, working for a council of voluntary service, as a policy analyst for a local authority and a research and press officer for a trade union. David has an MBA from London Business School and an MA in social policy.

Malcolm Hurlston

Malcolm is a social entrepreneur who has founded and chairs a number of charities and non-profit making organisations. This includes the Foundation for Credit Counselling, Britain's leading debt charity, and the Registry Trust, which registers judgement, fines and decree information in the UK and Ireland.

Clare Montgomery QC (associate basis member)

A Deputy High Court Judge since 2003, Clare is a highly respected specialist in criminal law, perhaps best known for her work on 'white collar crime' cases, such as Guinness and Maxwell.

George Seligman

George is a partner with Slaughter and May, a leading international law firm with a world-wide corporate, commercial and financing practice. He specialises in financing, corporate recovery and insolvency work, and also has a general commercial practice. He has acted for borrowers and lenders on a wide range of financing transactions including securitisations, acquisition finance, syndicated and bilateral loans and structured finance.

Professor Avrom Sherr

Professor Sherr is Director of the Institute of Advanced Legal Studies and the Woolf Professor of Legal Education at the Institute. His main areas of interest have been the development of legal education, the sociology of the legal profession, ethics in professional work and the provision of legal services. He was a member of the Lord Chancellor's Advisory Committee on Legal Education and Conduct; and of the Race Relations and Equal Opportunities Committees of the Law Society of England and Wales. He also acts as a consultant to government and professional bodies in relation to access to justice and professional training and discipline.

Steven Silver

Head of Legal Services and Deputy Secretary of United Co-operatives Limited, the largest independent Co-operative Society in the UK, Steven was educated at Esher County Grammar School and the University of Durham where he obtained a Joint Honours degree in Law and Politics. Following his successful completion of the Law Society Finals Examination in 1983, Steven went on to work for a number of law firms including Sugden & Spencer Solicitors (1987 – 1993) and Radcliffes LeBrasseurs Solicitors (1993 – 1996) where he was a partner.

Stephen Boys Smith

Stephen is a former senior civil servant with extensive experience of working closely with Ministers and managing and bringing change into large organisations. He is presently Joint Secretary to the Independent Monitoring Commission, Northern Ireland.

Michael G Wilson

Michael has worked as a lawyer for the Department of Transportation in Washington D.C. before joining the law firm of Surrey and Morse. He became a partner of this firm in 1972. In 1974 Michael left the firm to join EON Productions and is producer for the Bond films.

Remuneration Report

Auditable Sections

In accordance with the requirements of the Companies Act 2006, 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 Prime Minister sets the remuneration of senior civil servants after independent advice from the Review Body on Senior Salaries.

The Legal Services Complaints Commissioner (the Commissioner) receives salary increases annually in line with the average award to Senior Civil Service (SCS) employees, which ensures her independence. The Commissioner, therefore, 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.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.gov.uk.

The Commissioner is a statutory appointee. She holds the position concurrently with that of the Legal Services Ombudsman. Following the introduction of the Legal Services Act 2007, these roles are due to end. She has therefore been reappointed as Commissioner from 3 March 2009 until 2 April 2010 and as Legal Services Ombudsman from 3 March 2009 until 2 March 2011.

The Commissioner's contract does give 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.

Salary and pension entitlements

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

Remuneration

	2009-10 £'000	2008-09 £'000
Members	Salary	Salary
Zahida Manzoor	45-50	45-50

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

Pension Benefits

Name	Accrued pension and related lump sum at pension age as at 31/03/10	Real increase in pension and related lump sum at pension age	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV funded by employer
	£'000	£'000	£'000	£'000	£'000
Zahida Manzoor	15-20	0-2.5	254	210	26

Note that Cash Equivalent Transfer Values (CETV) figures may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

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

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, and 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 changes in the Retail Prices Index (RPI). 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 salary 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 pension is up rated in line with RPI. 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

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.

Suma Chakrabarti
Accounting Officer

Date: 5 July 2010

STATEMENT OF ACCOUNTING OFFICER'S AND COMMISSIONER'S RESPONSIBILITIES

HM Treasury has appointed the Permanent Secretary of the Ministry of Justice (MoJ) 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 MoJ's assets. He is also responsible for preparing the accounts of the 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 Complaints Commissioner for England and Wales (Commissioner) to oversee the daily operations of the Office of the Legal Services Complaints Commissioner (OLSCC). Details of the division of responsibilities are set out in a Memorandum of Understanding between the MoJ (formerly the Department for Constitutional Affairs (DCA)) and the OLSCC. This appointment does not detract from the Permanent Secretary's overall responsibility as Accounting Officer for the accounts.

Under the Access to Justice Act 1999, the Secretary of State and Lord Chancellor has directed the Commissioner to produce accounts for the financial year ending 31 March 2010.

These accounts are prepared on an accruals basis as at 31 March 2010 and give a true and fair view of the state of affairs of the OLSCC and the net operating cost and cash flow for the financial year.

In preparing the accounts, the Commissioner 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:

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

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 Office of the Legal Services Complaints Commissioner (OLSCC), its policies, aims and objectives, whilst safeguarding the public funds and Ministry of Justice (MoJ) 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 MoJ plans and allocation of resources to the MoJ's business areas. OLSCC, as an Associate Office, operates as a business entity of the MoJ. I delegate financial authority, together with corresponding internal control and risk management responsibilities, to the Commissioner via the Director General, Access to Justice Group, in line with the requirements detailed in the Memorandum of Understanding between the MoJ and OLSCC.

A system of internal control operates in MoJ headquarters. This includes the monitoring of OLSCC's performance and compliance with the Memorandum of Understanding through the Director General, Access to Justice Group. To the extent that the document delegates control to the Commissioner, I place reliance upon the Statements on Internal Control submitted by the Commissioner to the Director General, Access to Justice Group.

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 MoJ 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 OLSCC for the year ended 31 March 2010, and accords with HM Treasury guidance.

Capacity to handle risk

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

The MoJ Risk Management strategy, policy and framework issued in July 2008 is available to all staff on the MoJ Intranet. This sets out the MoJ attitude to risk in the achievement of its policies and objectives, and provides guidance on the process of identifying, assessing and managing risk.

Risk management is incorporated into OLSCC's day-to-day activities and forward planning. Significant risks to, and arising from, the work of OLSCC are reported to the Director General, Access to Justice Group on a quarterly basis. Where necessary, such risks and the actions to mitigate are escalated and incorporated into the MoJ's Corporate Risk Register for consideration by the Corporate Management Board.

The risk and control framework

As the OLSCC is an Associated Office of the MoJ, its risk and control framework are part of MoJ policy. The key elements of OLSCC risk management strategy to be fully implemented for identifying, evaluating and controlling risk are as follows:

- system of analysis and reporting (based on MoJ policy and framework) 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 forms the basis of the Risk Register and is escalated quarterly to the Director General, Access to Justice Group;
- Senior Management Team reviews risks regularly, and there are planning workshops for all staff to assist with the identification and evaluation of risks to objectives;
- Risk Register covers all OLSCC activity and is reviewed by the OLSCC Senior Management Team. Access to Justice Group then review the register, escalating any significant risks for inclusion in the MoJ Corporate Risk Register;
- quarterly certification by the Commissioner to the Director General, Access to Justice Group of risk management in OLSCC;
- the Director of Operations is the risk co-ordinator and is on the OLSCC Senior Management Team;
- risk identification, evaluation and management as an integral part of the planning process for delivery of its objectives.

Other key elements in the OLSCC control systems are regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- business planning, which is discussed, agreed and reviewed by the Director General, Access to Justice Group;
- comprehensive budgeting systems with an annual budget, which are reviewed and agreed by the CMB;
- regular reviews by the CMB of periodic and annual financial reports, which are prepared to indicate financial performance against the forecasts;
- target setting to measure financial and other performance;
- a formal system of financial compliance controls, consisting of core control checks with an audit trail of evidence, and a review and reporting mechanism to provide assurances from the Director of Operations (as Budget Holder), 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;
- an MoJ whistle-blowing policy for confidential reporting of staff concerns;

- compliance with the MoJ Statement of Intent on Information Assurance and conforming to the standards and codes of practice embodied in the BS ISO/IEC 27000 series, which provides an internationally recognised code of practice for information security management, and the Manual of Protective Security.

In addition to the developments in risk management, the MoJ continues to take steps to improve its corporate governance arrangements. OLSCC has encompassed co-ordinated team briefing, and the performance management and recognition and reward systems.

During 2009–10 OLSCC has also engaged in influencing the performance of the Law Society to improve its handling of consumer complaints through:

- setting clear and reasonable performance targets for the Law Society for the 2009 year and actively monitoring and evaluating progress against these;
- agreeing additional means to improve the efficiency and effectiveness of complaint handling in order to benefit the consumer;
- production of an Annual Report detailing the Commissioner's assessment of the Law Society's performance; and
- the Legal Services Complaints Commissioner's Advisory and Consumer Board, which provides support to the Commissioner.

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 is also informed by the work of the Commissioner and her Senior Management Team.

The key elements of the system of internal control are set out in the previous section and contribute to my review of the system's effectiveness. In addition, the following bodies also inform my review:

- **The Corporate Management Board (CMB)** – Own the overall risk management framework and processes across MoJ and assures its application, including reviewing the assessments forming part of the annual Statement on Internal Control. It defines the overall MoJ level of acceptable risk. It reviews monthly Departmental Risk Reports summarising the risks that represent the greatest threat to MoJ's objectives, examining the current and planned controls and if the level of risk is acceptable. Where necessary the CMB escalates risks for Ministerial attention.
- **Audit Committees** – Assure management that risk accountabilities exist and that internal control procedures are being complied with. They review the assessments that form part of the annual Statement on Internal Control.
- **Risk Co-ordinators** – A network of Risk Co-ordinators has been established within MoJ headquarters, Agencies, Non-Departmental Public Bodies (NDPBs) and Associate Offices, to co-ordinate the reporting and management of risk and control

issues within business areas and for MoJ in reporting to the CMB and Audit Committee.

- **Internal Audit** – MoJ has an Internal Audit Division 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 MoJ internal controls together with recommendations for improvement.

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

This statement applies to the Office of the Legal Services Complaints Commissioner. The Statement on Internal Control for the Ministry of Justice Resource as a whole will be available from the Stationery Office when the Ministry's 2009-10 Resource Accounts are published later this year.

Suma Chakrabarti

Accounting Officer

Date: 5 July 2010

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 of the Legal Services Complaints Commissioner for the year ended 31 March 2010 under the Access to Justice Act 1999. These comprise the Operating Cost Statement, 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, the Complaints Commissioner and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Complaints Commissioner and Permanent Secretary of the Ministry of Justice are 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 of the Legal Services Complaints Commissioner's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Office of the Legal Services Complaints Commissioner; 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 of the Legal Services Complaints Commissioner's affairs as at 31 March 2010 and of its net operating cost, changes in taxpayers' equity and cash flows for the year then ended; and
- the financial statements have been properly prepared in accordance with the Access to Justice Act 1999 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 Access to Justice Act 1999 and the accounts direction issued by the Lord Chancellor and the Secretary of State for Justice with the approval of HM Treasury; and
- the information given in the Management Commentary section 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 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.

Paul Keane

Director, Justice Financial Audit on behalf of the Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

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London

SW1W 9SP

Date 6 July 2010

**OPERATING COST STATEMENT
FOR THE YEAR ENDED 31 MARCH 2010**

	Notes	2009-10 £	2008-09 Restated £
Income	3	(397,876)	(856,438)
Staff costs	4	373,613	735,516
Other administrative costs	5	86,763	178,815
Accommodation costs	6	201,781	198,014
Ministry's overhead charge		21,425	141,320
Other non cash costs	7	24,149	30,058
Total costs		707,731	1,283,723
Net operating cost		309,855	427,285

All income and expenditure is derived from operational activities.

The Ministry's overhead charge has been calculated on a different basis in 2009-10, in comparison to 2008-09, as detailed in the accounting policies.

The notes on pages 23 to 32 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2010		As at 31 March 2009 Restated		As at 1 April 2008 Restated	
		£	£	£	£	£	£
Non-Current Assets							
Property, plant and equipment	8A	-		56,162		62,486	
Intangible assets	8B	-		5,028		15,085	
Total Non-Current Assets			-		61,190		77,571
Current Assets							
Trade and other receivables	9	418,359		878,544		1,093,163	
Total Current Assets			418,359		878,544		1,093,163
Total Assets			418,359		939,734		1,170,734
Current Liabilities							
Trade and other payables	10	(436,339)		(931,093)		(1,140,673)	
Total Current Liabilities			(436,339)		(931,093)		(1,140,673)
Assets Less Liabilities			(17,980)		8,641		30,061
Taxpayers' Equity							
General Fund			(17,980)		8,641		30,061
Total Taxpayers' Equity			(17,980)		8,641		30,061

The notes on pages 23 to 32 form part of these accounts.

Suma Chakrabarti

Accounting Officer

Date: 5 July 2010

STATEMENT OF CASH FLOWS
YEAR ENDED 31 MARCH 2010

	Notes	2009-10 £	2008-09 Restated £
Cash flows from operating activities:			
Net operating cost		(309,855)	(427,285)
Adjustments for non-cash transactions:			
- MoJ Overhead		21,425	141,320
- Other non-cash transactions	7	24,149	30,058
(Increase)/Decrease in receivables		460,185	214,619
Increase/(Decrease) in payables		(494,754)	(209,580)
Net cash outflow from operating activities		(298,850)	(250,868)
Net cash outflow from investing activities		-	-
Cash flows from financing activities		298,850	250,868
Net financing		-	-
Net increase/(decrease) in cash and Cash equivalents during the period		-	-
Cash and cash equivalents at the beginning of the period		-	-
Cash and cash equivalents at the end of the period		-	-

The notes on pages 23 to 32 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

YEAR ENDED 31 MARCH 2010

	2009-10	2008-9
	£	£
Taxpayers' equity at start of prior year under UK GAAP		75,916
Changes in accounting policy resulting from adoption of IFRS		(45,855)
	8,641	30,061
Financing from the MoJ	298,850	250,868
Adjustments for non-cash transactions:		
- cost of capital	7 (163)	677
- auditor's remuneration	7 13,500	13,000
- MoJ Overhead	21,425	141,320
- Value of Asset-transfer to MoJ	8 (50,378)	-
Net operating cost	(309,855)	(427,285)
<i>Taxpayers' equity at end of year under IFRS</i>	(17,980)	8,641

The notes on pages 23 to 32 form part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Basis of accounting

These accounts for the Office of the Legal Services Complaints Commissioner (OLSCC) 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. The only exception is that historical cost accounting has been used in place of modified historic cost accounting because of the immaterial difference between the two for OLSCC. The accounting policies used to prepare these statements are consistent with those used to prepare accounts for the Ministry of Justice (MoJ). The MoJ's accounts give greater detail on accounting policies.

Going concern

The Legal Services Act 2007 received Royal Assent on 30 October 2007 and will reform the way that legal services will be regulated in England and Wales. The act set out the closure of OLSCC by 31 March 2010, and the related formation of the Office for Legal Complaints. Activities in relation to legal complaints will be handled by the new organisations. Therefore, in accordance with the Financial Reporting Manual the accounts are prepared on a going concern basis. The MoJ settles all of OLSCC's financial transactions with funds voted by Parliament.

Income

OLSCC does not recover its costs through charging fees though it recovers certain expenditure from the Law Society under the provision of the Access to Justice Act 1999. The expenditure that is recoverable relates to staff costs (with the exception of the Commissioner's salary) and certain other administrative costs.

Ministry of Justice's overhead charge

These are the support services provided to OLSCC by MoJ. The Ministry's costs are apportioned on a systematic basis to the entire Ministry's Associated Offices including OLSCC. These costs do not include OLSCC'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.

The basis of this charge has been altered in 2009-10, in line with changes made for the Ministry as a whole. The 2008-09 figures include an apportionment for estate costs that were charged directly to the Office in 2009-10.

Other non-cash costs

Non-cash costs are included to show the full cost of operating OLSCC. The audit fee is an amount agreed with the National Audit Office. The cost of capital charge reflects the cost of capital utilised by OLSCC and is calculated at the Government's standard rate of 3.5% of average net assets less liabilities over the year.

Operating Leases

MoJ holds the operating lease on the property used by OLSCC and also has legal ownership of the non-leased tangible non-current assets used by that office.

Non-current assets

Property, plant and equipment is mainly IT equipment and furniture. IT equipment costing more than £1,000 is capitalised and then depreciated over 3-5 years. All furniture is pooled, then depreciated over 20 years.

Intangible assets comprise developed software that is amortised over three years.

All depreciation and amortisation are calculated on a straight line basis.

VAT

The amounts on the expenditure statement are net of recoverable VAT but include irrecoverable VAT. Recoverable VAT is received centrally by the MoJ from HM Revenue and Customs. Any amount due is not shown as a receivable on the OLSCC Statement of Financial Position.

Pensions

Past and present employees of OLSCC are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependant's benefits. The MoJ recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services. This is achieved 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 MoJ recognises the contributions payable for the year.

Accounting for balances following closure

The OLSCC closed on 31 March 2010. Non current assets were transferred to the MoJ at that date. Responsibility for outstanding balances including receivables and payables has also transferred to the MoJ.

2. FIRST TIME ADOPTION OF IFRS

	General Fund
	£
Taxpayers' equity at 1 April 2009 under UK GAAP	68,110
Adjustments for:	
IAS 19 - Holiday pay accrual	(11,434)
IAS 17 - Rent free period	(48,035)
Taxpayers' equity at 1 April 2009 under IFRS	<u>8,641</u>
	£
Net operating cost for 2008-09 under UK GAAP	409,210
Adjustments for:	
IAS 19 - Holiday pay accrual	11,434
IAS 17 - Rent free period	8,484
Cost of capital adjustment	(1,843)
Net operating cost for 2008-09 under IFRS	<u>427,285</u>
	£
Net cash outflow for 2008-09 under UK GAAP	(244,564)
Adjustments for IAS 19 Employee Benefits:	
Holiday pay accrual - expenditure	(11,434)
Holiday pay accrual - decrease in creditors	(6,234)
Adjustment for IAS 17 Leases:	
Rent free period - expenditure	(8,484)
Rent free period – increase in creditors	19,848
Net cash outflow for 2008-09 under IFRS	<u>(250,868)</u>

3. INCOME

	2009-10	2008-09
	£	£
Recharge of costs to the Law Society	397,876	856,438
Total	<u>397,876</u>	<u>856,438</u>

The full amount shown as income in these accounts relates to the direct funding of the Commissioner's expenditure by the Law Society.

4. STAFF NUMBERS AND RELATED COSTS

	2009-10	2008-09
Employees	£	Restated £
Wages, salaries and fees	289,888	576,879
Social security costs	25,054	46,659
Other pension costs	58,671	111,978
	<u>373,613</u>	<u>735,516</u>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but OLSCC 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-pensions.gov.uk).

For 2009-10 contributions of £58,671 (2008-09: £111,978) were paid to the PCSPS on behalf of employees at rates determined by the Government Actuary, reviewed every four years following a full scheme valuation. These rates were in the range 16.7% to 24.3% (2008-09: 17.1% to 25.5%) of pensionable pay, based on salary bands. From 2009-10, the salary bands were also revised.

All OLSCC's staff are employees of MoJ and further details of their pension scheme are given in the MoJ resource accounts.

The average number of full time equivalent personnel employed during the year was 7 (2008-09: 14.64 employees). Due to the office closure, the number of permanent staff reduced throughout the year from 12 at 1 April 2009, to 2 by 31 March 2010.

Staff costs include the Commissioner's salary and associated pension contributions made on her behalf. Zahida Manzoor CBE held the post during 2009-10. Please refer to the Remuneration Report for further details.

5. OTHER ADMINISTRATIVE COSTS

	2009-10	2008-09
	£	£
Rentals under operating leases:		
Hire of plant and machinery	12,478	18,729
Travel and subsistence	20,951	59,358
External consultancy	1,987	17,909
Office supplies	9,251	10,535
Printing and reprographics	14,567	20,122
Distribution, postage & telecommunication	8,301	8,195
Training and events	5,216	24,925
Cleaning and catering	12,180	9,285
IT costs	1,590	7,172
Other	242	2,585
Total	<u>86,763</u>	<u>178,815</u>

6. ACCOMMODATION COSTS

	2009-10	2008-09
	£	Restated £
Rent and service charge	140,865	145,650
Rates	39,992	33,726
Other property costs	20,924	18,638
Total	<u>201,781</u>	<u>198,014</u>

7. NON-CASH COSTS

	2009-10	2008-09
	£	Restated £
Depreciation	5,784	6,324
Amortisation	5,028	10,057
Cost of capital	(163)	677
External audit fee	12,000	11,500
IFRS shadow accounts audit fee	1,500	1,500
Total	<u>24,149</u>	<u>30,058</u>

8 (a). PROPERTY, PLANT AND EQUIPMENT

	Furniture £	Computer and Other Equipment £	Total £
Cost or valuation			
At 1 April 2009	67,567	14,731	82,298
Additions	-	-	-
At 31 March 2010	<u>67,567</u>	<u>14,731</u>	<u>82,298</u>
Depreciation			
At 1 April 2009	14,182	11,954	26,136
Charge for the year	3,378	2,406	5,784
At 31 March 2010	<u>17,560</u>	<u>14,360</u>	<u>31,920</u>
Net book value			
At 31 March 2010	<u>50,007</u>	<u>371</u>	<u>50,378</u>
Transfer to MoJ on 31 March 2010	(50,007)	(371)	(50,378)
At 31 March 2010	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	<u>53,385</u>	<u>2,777</u>	<u>56,162</u>
At 1 April 2008	<u>56,763</u>	<u>5,723</u>	<u>62,486</u>

PROPERTY, PLANT AND EQUIPMENT (PRIOR YEAR RESTATED)

	Furniture £	Computer and Other Equipment £	Total £
Cost or valuation			
At 1 April 2008	67,567	14,731	82,298
Additions	-	-	-
At 31 March 2009	<u>67,567</u>	<u>14,731</u>	<u>82,298</u>
Depreciation			
At 1 April 2008	10,804	9,008	19,812
Charge for the year	3,378	2,946	6,324
At 31 March 2009	<u>14,182</u>	<u>11,954</u>	<u>26,136</u>
Net book value			
At 31 March 2009	<u>53,385</u>	<u>2,777</u>	<u>56,162</u>
At 31 March 2008	<u>56,763</u>	<u>5,723</u>	<u>62,486</u>

8 (b). INTANGIBLE ASSETS

	Computer Software	Total
	£	£
Cost or valuation		
At 1 April 2009	30,170	30,170
Additions	-	-
At 31 March 2010	<u>30,170</u>	<u>30,170</u>
Amortisation		
At 1 April 2009	25,142	25,142
Charge for the year	5,028	5,028
At 31 March 2010	<u>30,170</u>	<u>30,170</u>
Net book value		
At 31 March 2010	<u>-</u>	<u>-</u>
At 31 March 2009	<u>5,028</u>	<u>5,028</u>
At 1 April 2008	<u>15,085</u>	<u>15,085</u>

INTANGIBLE ASSETS (PRIOR YEAR RESTATED)

	Computer Software	Total
	£	£
Cost or valuation		
At 1 April 2008	30,170	30,170
Additions	-	-
At 31 March 2009	<u>30,170</u>	<u>30,170</u>
Amortisation		
At 1 April 2008	15,085	15,085
Charge for the year	10,057	10,057
At 31 March 2009	<u>25,142</u>	<u>25,142</u>
Net book value		
At 31 March 2009	<u>5,028</u>	<u>5,028</u>
At 31 March 2008	<u>15,085</u>	<u>15,085</u>

9. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

9 (a) Analysis by Type

	2009-10	2008-09	2007-08
	£	£	£
Amounts falling due within one year:			
Prepayments and accrued income	379,808	869,184	1,093,163
Other receivables	38,551	9,360	-
	<u>418,359</u>	<u>878,544</u>	<u>1,093,163</u>

9 (b) Intra-Government Balances

	2009-10	2008-09	2007-08
	£	£	£
Balances with other central government bodies	38,551	9,360	-
Balances with bodies external to central government	379,808	869,184	1,093,163
	<u>418,359</u>	<u>878,544</u>	<u>1,093,163</u>

10. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

10 (a) Analysis by Type

	2009-10	2008-09	2007-08
	£	Restated £	Restated £
Amounts falling due within one year:			
Taxation, social security & pension contributions	7,995	23,505	-
Trade payables - Law Society income payable to MoJ	379,808	831,180	1,057,261
Accruals and Deferred Income	48,536	76,408	83,412
	<u>436,339</u>	<u>931,093</u>	<u>1,140,673</u>

10 (b) Intra-Government Balances

	2009-10	2008-09	2007-08
		Restated	Restated
	£	£	£
Balances with other central government bodies	387,803	854,685	1,057,261
Balances with bodies external to central government	48,536	76,408	83,412
	<u>436,339</u>	<u>931,093</u>	<u>1,140,673</u>

The 2009-10 and 2008-09 payables include payroll items due to HM Revenue and Customs for tax and national insurance, and to PCSPS for pension contributions, due at 31 March 2010 and 31 March 2009 respectively.

11. 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 19th floor West Riding House in Leeds expires on 30 November 2014 but has been taken over by The Judicial Studies Board from 1 April 2010. The 2008-09 and 2007-08 figures have been restated accordingly.

The photocopier lease expired on 30 March 2010. The franking machine lease was terminated on 31 July 2009 and £3,189 termination fee was paid.

	2009-10		2008-09		2007-08	
	Buildings	Other	Buildings	Other	Buildings	Other
	£	£	£	£	£	£
Within one year	-	-	110,537	10,394	112,254	7,939
From one to five years	-	-	-	-	110,537	10,394
After five years	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>110,537</u>	<u>10,394</u>	<u>222,791</u>	<u>18,333</u>

12. CONTINGENT LIABILITIES DISCLOSED UNDER IAS 37

There are no contingent liabilities.

13. RELATED PARTY TRANSACTIONS

MoJ is a related party with which OLSCC had various material transactions during the year. OLSCC staffs have not entered into any material transactions with OLSCC or MoJ.

Zahida Manzoor CBE, the Legal Services Complaints Commissioner until 2 April 2010, also holds the role of the Legal Services Ombudsman. There have not been any material transactions between the two Offices.

14. CAPITAL COMMITMENTS

There are no capital commitments.

15. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting period affecting the OLSCC. In accordance with the requirements of IAS 10 “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.

16. FINANCIAL INSTRUMENTS

OLSCC 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.

16a Risk Management Objectives and Policies

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

16b Liquidity Risk

OLSCC has no borrowings and its net resource requirements are met from resources voted annually by Parliament to MoJ. The cash expended by MoJ to settle OLSCC’s bills is represented by “financing from MoJ” of £298,850 (2008-09: £250,868) in the Statement of Changes in Taxpayers’ Equity. MoJ settles all OLSCC’s financial transactions irrespective of when the income from the Law Society is received and remitted to MoJ. OLSCC is not therefore exposed to significant liquidity risk.

16c Interest Rate Risk

OLSCC has no deposits, since cash at bank is held in MoJ’s bank accounts and not included in these accounts. There is no interest rate risk.

16d Foreign Currency Risk

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



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