

THE CERTIFICATE 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 year ended 31 March 2014 under the Legal Services Act 2007. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 Board, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Board and the Accounting Officer 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, certify and report on the financial statements in accordance with the Legal Services Act 2007. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Office for Legal Complaints' 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my certificate.

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

Basis for qualified opinion on regularity

Between July 2009 and March 2014 the Office for Legal Complaints have made payments in respect of expenses paid to the Chief Executive, a Total Remuneration Scheme for senior staff and the Flexible Benefit scheme, which I consider to be novel and contentious. The nature of these payments has come to light during the course of my audit of these accounts. The Ministry of Justice has not provided retrospective approval for the novel and contentious expenditure. I have concluded that this expenditure is not in conformity with the authorities which govern it and is, therefore, irregular. Further details can be found in my report on page 53.

Opinion on regularity

In my opinion, except for the matter described in the basis for qualified opinion paragraph above, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements 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 2014 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Legal Services Act 2007 and Secretary of State directions, with the approval of HM Treasury, issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with directions made under the Legal Services Act 2007 by the Lord Chancellor and Secretary of State for Justice with the approval of HM Treasury; and
- the information given in the Office for Legal Complaints' Board Members' Report and the Management Commentary sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Sir Amyas C E Morse
Comptroller and Auditor General

28 January 2015

National Audit Office
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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL ON THE 2013-14 ACCOUNTS OF THE OFFICE FOR LEGAL COMPLAINTS

Introduction

1. The Office for Legal Complaints (OLC) is an Arm's Length Body created under the Legal Services Act 2007 and sponsored by the Ministry of Justice (the Ministry). The OLC is an independent and impartial body established to handle complaints about the legal profession.
2. This report explains the basis for the qualification of my opinion on regularity on the OLC's 2013-14 financial statements.

Qualification of my regularity opinion

3. An anonymous correspondent alerted me to concerns about the remuneration and expenses of the previous Accounting Officer and Chief Executive. These had been separately raised with the OLC, Legal Services Board and Ministry who had started to look into the concerns. I made further enquiries of the OLC, which lead to a detailed review of the remuneration, expenses and benefit payments of senior staff since the OLC's creation in 2009, undertaken by the Ministry and the OLC.
4. This review identified a number of novel and contentious payments incurred since OLC's inception in July 2009 to 31 March 2014, which are summarised below:
 - Expenses being paid to the previous Accounting Officer which were for travel from home to work (of which £10,600 is a taxable allowance and £10,152 a benefit in kind);
 - Travel expenses and other expense claims that were not supported by sufficient evidence to confirm they were for legitimate business purposes (£1,580);
 - The payment of an extra-contractual 'Total Remuneration Supplement' to the previous Accounting Officer and other senior members of staff (£348,109); and
 - Payments made under a Flexible Benefits Scheme to the previous Accounting Officer and all members of staff (£874,940).
5. These payments have not been retrospectively authorised by the Ministry and therefore they do not conform with the authorities which govern them. I have therefore qualified my opinion on regularity.
6. Further details on how these issues arose, the amounts involved and the Ministry's conclusions, are outlined in the Remuneration Report and Governance Statement.

Action taken by the Office for Legal Complaints and Ministry of Justice

7. The OLC Chairman and Non-Executive Directors, in co-operation with the Ministry, are undertaking a comprehensive review of all key financial processes and controls, to ensure that no other issues exist. This work includes a risk-based

review of internal governance and oversight structures, the operation of key committees, and draw on best practice from other organisations.

8. The Ministry of Justice have determined that the former accounting officer of the OLC was not a fit and proper person to continue to hold the position of accounting officer. The failure to maintain a high standard of financial management in relation to his own expenses was a significant factor in this decision.
9. The OLC are also reviewing the Total Remuneration Supplement scheme and the Flexible Benefits Scheme. Following this review, the OLC will submit a business case to the Ministry for further consideration of these schemes or appropriate variants of them.
10. I will review the outcome of these actions as part of my audit of the OLC's 2014-15 financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

28 January 2015

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