

Scottish Legal Complaints Commission

Annual Accounts

Year ended 30 June 2014



Laid before the Scottish
Parliament by the Scottish
Ministers under Section
22(5) of
The Public Finance and
Accountability Act 2000.
December 2014
SG/2014/239

List of Contents

1	Foreword	3
2	Strategic Report.....	7
3	Remuneration Report.....	10
4	Statement of Accountable Officer's Report.....	12
5	Governance Statement.....	13
6	Independent Auditor's Report.....	15
7	Statement of Comprehensive Income and Expenditure for year ended 30 June 2014.....	17
8	Statement of financial position as at 30 June 2014.....	18
9	Statement of cash flows for the year ended 30 June 2014.....	19
10	Statement of changes in equity for year ended 30 June 2014.....	20
11	Notes to accounts.....	21
	Appendix 1 - Direction by Scottish Ministers.....	32

1. Foreword

- 1.1 The Scottish Legal Complaints Commission's accounts for the financial period ended 30 June 2014 are presented in accordance with paragraph 15 (1) of Schedule 1 of the Legal Profession and Legal Aid (Scotland) Act 2007. They are prepared in accordance with the Accounts Direction given by Scottish Ministers (see Appendix 1).

Background information

- 1.2 The Scottish Legal Complaints Commission ("the SLCC") is constituted under the terms of the Legal Profession and Legal Aid (Scotland) Act 2007, enacted on 1 October 2008.

Statutory powers and responsibilities

- 1.3 The SLCC's statutory functions cover three main areas: legal complaints, oversight of complaint handling by the legal profession and monitoring the effectiveness of the Scottish Solicitor's Guarantee Fund controlled and managed by the Law Society of Scotland ("the LSS") and professional indemnity arrangements maintained by the Relevant Professional Organisations on behalf of their members (eg the Master Policy).
- 1.4 The SLCC's function in respect of legal complaints is to:
- (i) receive and log all complaints about legal practitioners in Scotland, and to determine if they are eligible for investigation
 - (ii) remit complaints about legal practitioners' conduct to the Relevant Professional Organisation (RPO – the LSS, Faculty of Advocates and Association of Commercial Attorneys)
 - (iii) deal with complaints about inadequate professional service through mediation and/or investigation
 - (iv) receive, log and investigate complaints about how the RPOs investigated complaints about legal practitioners' conduct
- 1.5 The SLCC's function in respect of oversight of complaint handling includes:
- (i) monitoring and reporting on trends in the way the legal profession deals with complaints
 - (ii) auditing RPOs' conduct complaints records and
 - (iii) issuing guidance to the legal profession on dealing with complaints
- 1.6 The SLCC's function in respect of the effectiveness of the Guarantee Fund and indemnity arrangements allows us to make recommendations to the RPO's about the arrangements in place and has included research into the Guarantee Fund and the Master Policy.

Retirement Benefits Schemes

- 1.7 Reference is made in Note 18 to the accounts to the operation and performance of the SLCC Pension Scheme and the Local Government Pension Scheme. The Remuneration Report contains specific disclosures relating to senior management.

Payment of creditors

- 1.8 The SLCC is committed to prompt payment of bills for goods and services received. Payments are normally made as specified in the agreed contract conditions. Where there is no contractual position or other understanding, we aim to pay for goods and services within 30 days. In respect of bills for goods and services paid within 30 days, the SLCC's payment performance was 97% (2013, 97%).

Complaint Statistics

1.9 A summary of complaint statistics for the last two years is set out below :

COMPLAINTS & ELIGIBILITY	2013/14	2012/13
Complaints in hand at start of year	627	783
Complaints closed post compliance work in previous year	-30	-12
Complaints received in year	1,024	1,123
Premature complaints reopened	69	48
Complaints reassessed as eligible on appeal	0	4
<i>Complaints under consideration</i>	1,690	1,946
Ineligible	-474	-494
Withdrawn / resolved before eligibility decision made	-64	- 84
Resolved at eligibility	-104	-86
Premature	-138	-169
Conduct	-62	-100
Potential service complaints	849	1,013
<i>Complaints closed</i>	-361	-386
Complaints awaiting eligibility assessment at year end	172	188
Eligible service or hybrid complaints in progress	315	439
<i>Complaints in hand at end of year</i>	487	627

METHODS OF RESOLUTION		
Mediation	62	44
Investigation (conciliation without report)	29	19
Investigation (settlement with report)	52	46
Withdrawn at investigation	28	16
Determination	190	261
Total	361	386
% Upheld at Determination	56%	48%

Budget Performance

1.10 SLCC set its anticipated expenditure requirements for 2013-14 at £2,913,000 against which it received income of £2,757,000. Actual expenditure was £2,798,000 leaving a deficit of £41,000 after pension adjustments compared to the previous annual deficit of £224,000. This reduced deficit is as a result of the SLCC taking steps to control costs and protect existing reserves whilst restricting the level of the levy in 2013-14.

1.11 The SLCC main under-spend against its planned budget was in the area of direct staff costs. Savings were also achieved in insurance, corporate legal costs and communications. Special projects and research activity were also at a lower level than originally budgeted.

- 1.12 The main over-spends against planned budget were in relation to legal costs, property and depreciation. Increased legal expenditure was a result of the number of appeals that were made against SLCC complaints decisions and an ongoing requirement for advice in relation to interpretation of the Legal Profession and Legal Aid (Scotland) Act 2007.
- 1.13 Total reserves held at the end of the year amounted to £737,000 (compared to £783,000 at 30 June 2013). This reflected a decision by SLCC to seek to achieve total reserves broadly in line with three months planned expenditure.

The Scottish Legal Complaints Commission

- 1.14 At the start of the year, the SLCC Board was made up of nine board members, three of whom had a legal background. The remaining members, including the Chairing Member were lay members. There have been no changes in Board membership in the year to 30th June 2014.

	From	Appointment To	Years
Chairing Member (Lay)			
Bill Brackenridge	01.01.2013	31.12.2017	5
Lay Members			
Iain McGrory	01.04.2011	31.03.2016	5
Fiona Smith	01.04.2011	31.03.2016	5
Dr. Samantha Jones	01.01.2012	31.12.2016	5
Ian Gibson	01.01.2012	31.12.2016	5
Kevin Dunion	01.03.2013	28.02.2018	5
Legal Members			
Maurice O'Carroll	01.01.2011	31.12.2015	5
George Clark	01.01.2012	31.12.2016	5
Ian Leitch	01.01.2012	31.12.2016	5

Equal opportunities and diversity

- 1.15 The SLCC is committed to the principle of equal opportunities across our functions and in our employment practices. We are committed to pursuing positive action in our policies and practices to ensure that no individual is discriminated against directly or indirectly, unlawfully, unjustifiably or unfairly because of their personal status in relation to race, ethnic or national origin, religion, age, gender, disability or sexual or marital status.

Provision of Information to Employees

- 1.16 The SLCC is committed to the principles of openness and participation with all staff. We place a high level of importance on consulting with and informing staff. We do this by providing access to information and papers, through oral and written briefings, by regular staff and team meetings and other events. Information is only withheld when shown to be justified or where a duty of confidence is owed to a third party.

Data Loss

1.17 There were no reported incidents of unauthorised exposure or loss of personal data during the financial year.

Audit

1.18 The accounts are audited by an auditor appointed by the Auditor General for Scotland and she has appointed KPMG LLP as the SLCC Auditor for 2013-14. As Accountable Officer, I am not aware of any relevant audit information of which our auditor is unaware. I have taken all necessary steps to ensure that I myself am aware of any relevant audit information and to establish that the auditor is also aware of this information.

Environmental and sustainable development matters

1.19 The SLCC is committed to supporting national aims and policies on Environmental and Sustainable Development. We endeavour to run our organisation responsibly and ethically.

Staff Absence

1.20 The average number of staff days due to absence was 4.3 days per employee (2013, 6.8 days) including long term sickness absence, compared to a public sector average of 7.9 days. Reasons for absence are monitored on an ongoing basis in order that the senior management team may manage absence effectively.



Matthew Vickers
Chief Executive Officer

7th October 2014

2. Strategic Report

History and Statutory Background

- 2.1 The Scottish Legal Complaints Commission (“the SLCC”) is constituted under the terms of the Legal Profession and Legal Aid (Scotland) Act 2007, enacted on 1 October 2008.

Statutory powers and responsibilities

- 2.2 The SLCC’s statutory functions cover three main areas: legal complaints, oversight of complaint handling by the legal profession and monitoring the effectiveness of the Scottish Solicitor’s Guarantee Fund controlled and managed by the Law Society of Scotland (“the LSS”) and professional indemnity arrangements maintained by the Relevant Professional Organisations on behalf of their members (eg the Master Policy).
- 2.3 The SLCC’s function in respect of legal complaints is to:
- (i) receive and log all complaints about legal practitioners in Scotland, and to determine if they are eligible for investigation
 - (ii) remit complaints about legal practitioners’ conduct to the Relevant Professional Organisation (RPO – the LSS, Faculty of Advocates and Association of Commercial Attorneys)
 - (iii) deal with complaints about inadequate professional service through mediation and/or investigation
 - (iv) receive, log and investigate complaints about how the RPOs investigated complaints about legal practitioners’ conduct
- 2.4 The SLCC’s function in respect of oversight of complaint handling includes:
- (i) monitoring and reporting on trends in the way the legal profession deals with complaints
 - (ii) auditing RPOs’ conduct complaints records and
 - (iii) issuing guidance to the legal profession on dealing with complaints
- 2.5 The SLCC’s function in respect of the effectiveness of the Guarantee Fund and indemnity arrangements allows us to make recommendations to the RPO’s about the arrangements in place and has included research into the Guarantee Fund and the Master Policy.

Financial Performance

- 2.6 The SLCC’s expenditure on operating activities for the period ended 30 June 2014 totalled £2,757,000. This was on staffing costs of £1,874,000, other operating costs of £789,000 and depreciation and amortisation of £94,000.

The SLCC’s operating budget for the year ended 30 June 2014 was £2,913,410 of which £2,678,000 was raised by way of a general levy upon members of the legal profession. SLCC took the decision to limit the levy in the year and to meet the balance of planned expenditure from existing reserves. The professional bodies concerned are responsible for the collection of the levy which is payable to the SLCC on 1 July of each year. Income of £72,410 was generated from interest on deposits and complaints levies.

- 2.7 The SLCC continues to consider the complaints of the former Scottish Legal Services Ombudsman and this work remains publicly funded. For the period ended 30 June 2014 £6,528 was recovered by SLCC from the Scottish Government in respect of this work.

2.8 The SLCC delivered a deficit of £41,000 for the year to 30 June 2014. This was after provision of additional pension costs of £41,000. This performance compares favourably with the budgeted deficit of £204,000.

Key Events of 2013-14

2.9 The key events of 2013-14 included the following:

- Our focus on early resolution saw more cases closed without the need for formal determination by the SLCC.
- There were notable increases in both the number and share of cases resolved at the eligibility stage, resolved through the use of mediation and during our investigative process.
- Early resolution is not only a quicker and more efficient way of dealing with complaints, it is more effective and keeps the parties in control of the final decision. Around half of eligible service complaints are now resolved early.
- Consequently, our productivity has increased. We have reduced our work in progress by 22% at the same time as reducing our expenditure by 7%
- We issued trend analysis covering the first five years of our operation as we increased the preventative work which our Oversight team carries out
- This indicated that three areas of legal work drive the majority of complaints we receive; conveyancing; executries, wills and trusts; and family law.
- We issued guidance for practitioners and the public on the common causes of conveyancing complaints and we spoke directly to around 700 practitioners through a series of conferences and outreach events.
- We concluded a legal services procurement exercise to ensure value for money from our legal expenditure.

Risk

2.10 SLCC has a Risk Management Policy based on guidance contained in the Scottish Public Finance Manual. It has adopted a standard approach to risk management which is described in more detail in the governance statement. A risk register is maintained which identifies risks which may have an impact on the delivery of SLCC's corporate objectives. The high level risks identified are focused on:

- (i) Governance arrangements
- (ii) Stakeholder engagement
- (iii) Complaint handling
- (iv) Business continuity and staffing

2.11 Control actions have been implemented to limit both the likelihood and impact of all of the above risks.

Future strategic direction

2.12 The year to 30 June 2014 was successful for SLCC in delivering both a sound financial performance and significant improvement in the rate of complaint processing. This in turn has enabled the development of clear strategic objectives for 2014/15 and beyond.

2.13 The SLCC aims to build trust and confidence in legal services in Scotland and has three objectives which support this vision.

- 2.14 We offer a high quality, independent and impartial service focussed on early resolution and the needs of users. We continue our work to promote mediation and other techniques to reduce the need for more costly and lengthy formal determinations. In 2014/15 we will be ensuring that we play a full part in the implementation of the EU Directive on Alternative Dispute Resolution (ADR). We are also enhancing the transparency of our work by publishing our decisions, by introducing independent scrutiny of complaints about the SLCC and by establishing a consumer panel to assist in policy formulation and research.
- 2.15 We are efficient and accountable; tracking and improving our performance. We are funded by a levy on the legal profession and are acutely aware of the need for us to work as efficiently as possible. For four consecutive years, we have reduced our cost per complaint and for the 2014/15 year we have frozen or reduced the levy paid by legal practitioners. Our focus on securing full payment of complaint levies which we have issued continues. This is additionally important since it is our intention to explore reducing the share of costs borne by the legal profession through the universal levy in favour of more targeted recovery of costs from those who have generated them via the complaints levy. For this to work efficiently, we need to be sure that the complaint levy is a sustainable source of funding.
- 2.16 We provide guidance and insight to improve standards of complaint handling in the profession, reducing our workload through preventative measures. After five years of operation we are now able to identify key trends and risks in legal complaint handling. We have insight into the reasons and business area profiles behind complaints. We plan further thematic work on family law and on sole practitioners. We will also be completing systemic reviews of the conduct complaint handling processes of the Law Society of Scotland and the Faculty of Advocates.



Matthew Vickers
Chief Executive Officer

7th October 2014

3. Remuneration Report

This section of the report is subject to audit

- 3.1 The Board, having considered the requirements of the Government Financial Reporting Manual and the responsibilities of managers within the SLCC, consider that only the remuneration of the CEO falls to be disclosed.

Remuneration - CEO

- 3.2 The CEO's remuneration is approved by the Board. It is subject to and compliant with Public Sector Pay Policy. Matthew Vickers was appointed as permanent CEO with effect from 6 June 2012. The CEO's salary shown includes basic salary only; it does not include employer national insurance or pension contributions.

Matthew Vickers

	2013-14 £'000	2012-13 £'000
Salary range	70-75	70-75
Pension Contributions	5-10	5-10
Benefits in kind	Nil	Nil
Total	<u>75-80</u>	<u>75-80</u>

Chair/Board fees

- 3.3 SLCC Board members are eligible to claim out of pocket expenses relating to their work as SLCC Board members. Board remuneration has been determined in line with Public Sector Pay Policy for Senior Appointments; Chief Executive, Chairs and Members. Further information can be found at www.scotland.gov.uk/publications.

Remuneration – Band 2	2013-14	2013-14	2012-13	2012-13
	Daily Fees £ Actual	£'000 Actual	Daily Fees £ Actual	£'000 Actual
Bill Brackenridge , Chair	313	35-40	313	10-15
Iain McGrory	212	10-15	212	15-20
George Clark	212	15-20	212	15-20
Ian Gibson	212	10-15	212	10-15
Fiona Smith	212	5-10	212	10-15
Maurice O'Carroll	212	10-15	212	5-10
Dr Samantha Jones	212	10-15	212	15-20
Ian Leitch	212	10-15	212	10-15
Kevin Dunion	212	10-15	212	0-5
Jane Irvine , former Chair	-	-	313	15-20
Siraj Khan	-	-	212	5-10

Hutton Review of Fair Pay

3.4 Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the SLCC in the financial year 2013-14 was £70,000 to £75,000 (2012-13, £70,000 to £75,000). This was 2.1 times (2012-13, 2.1 times) the median remuneration of the workforce, which was £34,325 (2012-13, £33,835).

In 2013-14, no employees received remuneration in excess of the highest-paid director. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

SLCC salaries, in line with public sector pay policy, have been restricted to a one percent increase over this period for those earning in excess of £21,000 per annum.



Matthew Vickers
Chief Executive Officer

7th October 2014

4. Statement of Accountable Officer's responsibilities

- 4.1 The CEO is designated the Accountable Officer for the SLCC. This is confirmed in the SLCC's governance arrangements.
- 4.2 The relevant responsibilities as Accountable Officer are set out in the Memorandum to Accountable Officers for other Public Bodies issued by the Scottish Government and published in the Scottish Public Finance Manual and reflected in the SLCC's rules. These responsibilities include responsibility for the propriety and regularity of finances and for the keeping of proper records. The Memorandum is available at <http://www.scotland.gov.uk/Topics/Government/Finance/spfm/Accountability/aomemoother>
- 4.3 Under paragraph 15 (1) of Schedule 1 of the Legal Profession and Legal Aid (Scotland) Act 2007, the SLCC is required to prepare a statement of accounts for each financial year in accordance with directions as required by the Scottish Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the SLCC's affairs and financial activities at the year end.
- 4.4 In preparing the accounts, the Accountable Officer is required to comply with the Government Financial Reporting Manual (FReM) and in particular to:
- (i) observe the accounts direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
 - (ii) make judgements and estimates on a reasonable basis
 - (iii) state whether applicable accounting standards have been followed and disclose and explain any material departures in the financial statements and
 - (iv) prepare the financial statements on a 'going concern' basis, unless it is inappropriate to presume that the SLCC will continue in operation.

5. Governance Statement

Scope of Responsibility

- 5.1 I took up the permanent post of Accountable Officer on 6 June 2012. As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of organisational policies, aims and objectives, whilst safeguarding the organisation's assets and the funds levied to us by the legal profession for which I am responsible.
- 5.2 The system of internal control is designed to manage rather than eliminate the 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 will continue to evolve to identify the principal risks to the achievements of the SLCC's policies, aims and objectives, to evaluate the nature and extent of those risks and manage them efficiently, effectively and economically.
- 5.3 The processes within the organisation have regard to the guidance to public bodies in Scotland issued by the Scottish Ministers and set out in the Scottish Public Finance Manual.

Governance framework

- 5.4 The SLCC has a governance framework which comprises the systems and processes, culture and values by which the SLCC is directed and controlled. The governance framework has been in place for the year ended 30 June 2014 and up to the date of approval of the annual report and financial statements.
- 5.5 As part of the framework the SLCC has a risk policy which sets out our approach to risk management and appetite for risk. It is supported by a corporate risk register, monitored by the SLCC's Audit Committee, which is part of an ongoing process designed to identify and manage the principle risks to the SLCC of achieving its corporate objectives.
- 5.6 The SLCC's risk management system identifies the key risks facing the organisation, their potential impact and the control measures put in place to mitigate either the likelihood of a risk materialising, and/or its impact on achievement of corporate aims. This involves evaluating the nature and extent of risks and putting in place effective and affordable management and control systems.
- 5.7 The SLCC Board at 30 June 2014 comprised six lay and three legal members. The Board met monthly during 2013/14. Six formal bi-monthly meetings and six performance review meetings. It has responsibility for establishing and taking forward the strategic aims and objectives of the SLCC, and demonstrating high standards of corporate governance by using the Audit Committee to address key financial and other risks.
- 5.8 The Audit Committee consists of three members of the Board, and provides support to the Board in respect of their responsibilities for issues of risk, control and governance. During the year the Board reviewed and approved revised terms of reference for the Audit Committee. The Audit Committee meet quarterly.

Review of effectiveness

- 5.9 It is part of my responsibility as Accountable Officer to review the effectiveness of the system of internal control. My review is informed by:
- (i) The work of the Board, and in particular the strategic direction it gives to the SLCC
 - (ii) The work of the SLCC's Audit Committee in its consideration of risk, financial management and audit reports
 - (iii) Comments made by the external auditor.
 - (iv) Reports from the internal auditor on the adequacy and effectiveness of the system of internal control
 - (v) The work of the SLCC's management team
- 5.10 During the year 2013-2014, the SLCC has worked continuously to review and refine its systems of internal control. In particular we have:
- Reviewed and redefined the contribution being made from internal audit
 - Carried out a review of policies to ensure adherence to the Equality Act 2010
 - Reviewed core financial management systems and ensured adherence to them through a programme of internal audit
 - Completed appointments to a new management structure, and reviewed and updated the formal scheme of delegation
- 5.11 I am satisfied that the SLCC has robust, proportionate and appropriate systems of control in place. The SLCC complies with the principles of Scottish Public Finance Manual.



Matthew Vickers
Chief Executive Officer

7th October 2014

6. Independent Auditor's Report

Independent Auditor's Report to the members of the Scottish Legal Complaints Commission, the Auditor General for Scotland and the Scottish Parliament

We have audited the financial statements of the Scottish Legal Complaints Commission for the year ended 30 June 2014 set out on pages 17 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Government Financial Reporting Manual 2013-14.

This report is made solely to the Scottish Legal Complaints Commission and to the Auditor General for Scotland in accordance with sections 21 and 22 of the Public Finance and Accountability (Scotland) Act 2000. Our audit work has been undertaken so that we might state to those two parties those matters we are required to state to them in an auditor's report and for no other purpose. In accordance with the Code of Audit Practice approved by the Auditor General for Scotland, this report is also made to the Scottish Parliament, as a body. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scottish Legal Complaints Commission and the Auditor General for Scotland, for this report, or the opinions we have formed.

Respective responsibilities of Accountable Officer and Auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities set out on page 12, the Accountable Officer is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us 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 body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual accounts 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 us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent Auditor's Report to the members of the Scottish Legal Complaints Commission, the Auditor General for Scotland and the Scottish Parliament (continued)

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the body's affairs as at 30 June 2014 and of its net deficit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union, as interpreted and adapted by the Government Financial Reporting Manual 2013-14; and
- have been prepared in accordance with the requirements of the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers.

Opinion on regularity prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other matters prescribed by the Public Finance and Accountability (Scotland) Act 2000

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Legal Profession and Legal Aid (Scotland) Act 2007 and directions made thereunder by the Scottish Ministers; and
- the information given in the Foreword and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Public Finance and Accountability (Scotland) Act 2000 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.



Andrew Shaw
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Saltire Court
20 Castle Terrace
Edinburgh EH1 2EG

13 October 2014

7. Statement of Comprehensive Income and Expenditure for year ended 30 June 2014

	Notes	2014 £'000	2013 £'000
Operating Income	2	(2,757)	(2,720)
Expenditure			
Staff Costs	3,4	1,874	1,886
Other Administration Costs	5	789	961
Depreciation and Amortisation	7,12	94	111
Net Operating Cost		0	238
Other Comprehensive Income			
Actuarial Loss/(Gain) on Pension Scheme		41	(14)
Net Deficit for Year		41	224

All amounts relate to continuing activities.

The accompanying notes on pages 21 to 31 form an integral part of these accounts.

8. Statement of financial position as at 30 June 2014

	Notes	2014 £'000	2013 £'000
Non- Current Assets			
Property, Plant and Equipment	6	68	121
Intangible Assets	7	116	60
Total Non- Current Assets		184	181
Current Assets			
Trade and Other Receivables	8	49	54
Cash and Cash Equivalents	9	1,056	827
Total Current Assets		1,105	881
Total Assets		1,289	1,062
Current Liabilities			
Trade and other payables	10	(445)	(221)
Total Current Liabilities		445	221
Non- Current Assets plus Net Current Assets excluding Pension Liabilities		844	841
Pension Scheme Liability	18	(56)	(11)
Non- Current Assets plus Net Current Assets including Pension Liabilities		788	830
Non- Current Liabilities- Provision for Dilapidations	11	(51)	(47)
Assets less Liabilities		737	783
Equity			
General Fund		737	778
Donated Asset Reserve	12	0	5
Total Equity		737	783

The General Fund represents net assets available to the SLCC at the balance sheet date, excluding the remaining assets held within the Donated Asset Reserve which represents the assets donated to the SLCC by the Scottish Government.

The accompanying notes on pages 21 to 31 form an integral part of these accounts.


Matthew Vickers
Chief Executive Officer

7th October 2014

9. Statement of cash flows for year ended 30 June 2014

	2014 £'000	2013 £'000
Cash Flows From Operating Activities		
Net Operating Cost	0	(238)
Adjustment for Non Cash Transactions		
Depreciation	58	81
Amortisation	41	30
Released from Donated Asset Reserve	(5)	(26)
Decrease in Trade and Other Receivables	5	15
Increase in Trade and Other Payables	224	68
Increase in provisions	4	3
Actuarial Gain and Increase in Pension Scheme Liability	4	4
Net Cash Inflow / (Outflow) from Operating Activities	331	(63)
Cash Flows From Investing Activities		
Purchase of Property, Plant and Equipment	(5)	(63)
Purchase of intangible assets - software	(97)	(0)
Net Cash Outflow from Investing Activities	(102)	(63)
Net Cash Inflow / (Outflow)	229	(126)
Net Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents at the beginning of Period	827	953
Cash and Cash Equivalents at the end of Period	1,056	827

10. Statement of changes in equity for year ended 30 June 2014

	Donated Asset Reserve £'000	General Fund £'000	Total Reserves £'000
Balance at 30 June 2013	5	778	783
Deficit on Provision of Services	-	(41)	(41)
Released to income	(5)	-	(5)
Other comprehensive expenditure	-	(0)	(0)
Balance at 30 June 2014	0	737	737

The accompanying notes on pages 21 to 31 form an integral part of these accounts.

11. Notes to accounts

1. Accounting policies

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 these accounts have been prepared in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual, which follows generally accepted accounting practice as defined in International Financial Reporting Standards (IFRS) as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) and Interpretations and the Companies Act 2006 to the extent that it is meaningful and appropriate in the public sector context. The particular accounting policies adopted by the Scottish Government are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts are prepared using accounting policies and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note.

1.1 Critical accounting estimates and judgements

SLCC makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Additional information is disclosed in note 18.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, financial instruments and inventories where material, at their value to the organisation by reference to their fair values.

1.3 Newly adopted IFRS

The Commission has adopted IAS 19 which is effective for the first time in these financial statements. The adoption has been applied retrospectively. The effect of the change in IAS 19 on the statement of comprehensive income for the year ended 31 March 2013/14 is not considered to be material to the financial statements and therefore, there has been no restatement of the comparatives.

1.4 **Adopted IFRS not applied**

The following Adopted IFRS's have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangement";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IAS 27 "Separate Financial Statements"; and
- IAS 28 "Investments in Associates and Other Ventures".

1.5 **Property, plant and equipment**

1.5.1 Capitalisation

Purchases of assets for a value exceeding £1,000 inclusive of irrecoverable VAT are treated as capital.

1.5.2 Valuation

Assets are valued at depreciated historic cost as a proxy for fair value.

1.5.3 Depreciation

Depreciation is provided on all tangible non-current assets at rates calculated to write off the cost or valuation in equal instalments over the remaining estimated useful life of the asset. These are as follows:

Furniture and equipment	5 years
Fixtures & Fittings	5 years
IT Equipment	3 years

Intangible assets comprise externally purchased software licenses, recognised at cost less amortisation.

Amortisation is charged on cost in equal instalments over the estimated useful life of the software, being 3 years.

1.6 **Leases**

The SLCC holds no material finance leases. Leases where most of the risks and rewards of ownership remain with the lessor are classified as operating leases. Costs in respect of operating leases are charged to the Operating Cost statement as they fall due.

1.7 **Pension Costs**

Employees

The staff of SLCC are members of the SLCC Pension Scheme administered by Standard Life (a money purchase scheme), or the Local Government Pension Scheme (Scotland) administered by Lothian Pension Fund.

The SLCC has applied the IAS 19 Retirement Benefits which primarily affects disclosures in relation to defined benefit pension schemes.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the SLCC.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs/income. Actuarial gains and losses are charged or credited to equity in the Statement of Comprehensive Income in the period in which they arise.

1.8 Value Added Tax

The Commission is required to pay VAT on the provision of goods and services. All VAT is charged to the income and expenditure account as incurred.

1.9 Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the organisation after deducting all of its liabilities.

1.10 Recognition of Income

Levy income is recognised in the accounting period to which it relates. Interest income is credited to the Statement of Comprehensive Income and Expenditure in the year in which it is receivable.

1.11 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits.

2. Operating Income

	2014	2013
	£'000	£'000
Levy from Law Society of Scotland	2,604	2,562
Levy from Faculty of Advocates	74	72
Complaints Levies	42	57
Total levies for year	2,720	2,691
SLSO Recharge from the Scottish Government	7	5
Bank interest	30	24
Total other income	37	29
Total income from all sources	2,757	2,720

3. Staff numbers and costs

3.1 Staff employed

The average number of staff full time equivalent (FTE) persons employed by the SLCC during the period was 46 FTE, detailed as follows:

	2014	2013
CEO	1	1
Staff	45	41.5
Total average FTE	46	42.5

3.2 Breakdown of Board members

	2014	2013
Chair	1	1
Members	8	8
Total average FTE	9	9

3.3 Breakdown of staff and member costs

	2014			2013		
	Total £'000	Staff £'000	Members £'000	Total £'000	Staff £'000	Members £'000
Salaries / wages	1,618	1,482	136	1,572	1,432	140
Social security costs	138	124	14	129	112	17
Pension costs	100	100	-	103	103	-
Outsourced staff costs	18	18	-	82	82	-
Total salary costs	1,874	1,724	150	1,886	1,729	157

4. Pension Costs

For 2013-2014, employer's contributions of £99,904 (2013 - £87,805) were payable to Standard Life at 8% and 12% of pensionable pay and £15,637 (2013 - £15,648) to Lothian Pension Fund at 14.5% of pensionable pay, based on salary bands.

On death, pensions are payable to dependents of members of the Local Government Pension Scheme (Scotland). On death in service, the scheme pays a lump sum benefit of three times pensionable pay from April 2009.

Full details of the defined benefit scheme administered by Lothian Pension Fund are contained in note 18.

5. Operating Expenditure

	2014 £'000	2013 £'000
Property	321	327
Office	78	90
Staff Training & Recruitment	46	87
Travel & hospitality	18	20
IT	65	115
Outreach	22	15
Research	6	17
Legal	212	268
Financial	21	22
	789	961

The above total includes the external auditor's remuneration of £11,240 (£11,160 2012 - 13). The external auditor received no fees in relation to non-audit work.

6. Property, Plant and Equipment

Tangible Non- Current Assets

	Furniture & fixtures and fittings £'000	IT & telecoms equipment £'000	Total tangible assets £'000
Cost			
At 1 July 2013	156	208	364
Additions	1	4	5
At 30 June 2014	157	212	369
Depreciation			
As 1 July 2013	133	110	243
Charge for year	6	52	58
At 30 June 2014	139	162	301
NBV at 30 June 2014	18	50	68
NBV at 30 June 2013	23	98	121

Included in the above is £179,000 of assets (£179,000 2012-13) donated by the Scottish Government. Depreciation of £5,000 (£26,000 2012-13) has been charged to these assets in the current year. These assets are now fully depreciated and the Donated Assets Reserve has consequently been reduced to zero.

7. Intangible Assets

	Software	Total intangible assets
	£'000	£'000
Cost		
At 1 July 2013	90	90
Additions	97	97
At 30 June 2014	187	187
Amortisation		
As 1 July 2013	30	30
Charge for year	41	41
At 30 June 2014	71	71
NBV at 30 June 2014	116	116
NBV at 30 June 2013	60	60

8. Trade Receivables and Other Current Assets

	2014	2013
	£'000	£'000
Other Debtors	59	40
Bad Debt Provision	(53)	(35)
Prepayments	42	49
	48	54

The Bad Debt Provision is in respect of Complaint Levy Invoices which are considered potentially irrecoverable as at the balance sheet date.

9. Cash and Cash Equivalents

	2014	2013
	£'000	£'000
Opening balance	827	953
Net change in cash and cash equivalent balances	229	(126)
Balance at 30 June	1,056	827
Analysed as:		
Cash	140	303
Term Deposits	916	524
Total	1,056	827

10. Trade Payables and Other Current Liabilities– amounts falling due within one year

	2014	2013
	£'000	£'000
Trade Payables	49	22
Taxes and Social security Costs	51	54
Accruals and Other Creditors	345	145
	445	221

11. Provisions for liabilities and charges

	2014	2013
	£'000	£'000
Balance at 1 July 2013	47	44
Provided in the year	4	3
Balance at 30 June 2014	51	47

The provision for dilapidation costs relates to the SLCC's contractual duty to repair leasehold property on termination of the lease. Provision is made for the estimated cost of fully repairing leasehold properties at the balance sheet date.

12. Donated asset reserve

Fixed assets which were donated by the Scottish Government have been capitalised and their value credited to a separate reserve. This reserve is released and credited to the operating cost statement over the life of the assets in line with depreciation.

	2014	2013
	£'000	£'000
Balance at 1 July 2013	5	31
Released to operating cost statement	(5)	(26)
Balance at 30 June 2014	0	5

13. Operating leases

	Building	Other	Totals	Totals
	£'000		2014	2013
			£'000	£'000
<i>Operating Lease Payment Commitments</i>				
<i>Expiring:</i>				
Within One Year of the Balance Sheet Date	158	6	164	164
Within Two to Five Years of the Balance Sheet Date	514	7	521	521
Over Five Years of the Balance Sheet Date	-	-	-	-
	672	13	685	685

The current lease included a right in favour of SLCC to terminate the lease on the fifth anniversary of the term commencement date which was 8 September 2008. This termination clause was not actioned.

14. Capital commitments

There were contracted capital commitments of £10,560 (£0 2012-13) as at 30 June 2014.

15. Related party transactions

There were no related party transactions during the period.

16. Contingent liabilities

Third parties have sought to appeal the SLCC's decisions under the Legal Profession and Legal Aid (Scotland) Act 2007. The SLCC may defend these cases and is liable to pay legal expenses and costs if appeals are upheld.

17. Post Balance Sheet Events

No event has occurred since the date of the balance sheet which materially affects the financial statements.

18. Defined Benefit Pension Scheme

Some employees are eligible for membership of the Local Government Pension Scheme. The scheme is a final salary pension scheme administered by City of Edinburgh Council.

The most recent actuarial valuation was carried out by independent actuaries to 30 June 2014. This valuation was based on rolling forward valuation data at 30 June 2011 (the last formal valuation) to 30 June 2014 on the basis of a number of financial assumptions.

The principal actuarial assumptions used by the actuaries were as follows:

	2014	2013
	%	%
Discount rate at 30 June	4.2	4.9
Expected return on plan assets at 30 June	6.8	4.9
Future salary increases*	5.2	5.1
Future pension increases	2.9	2.8
Inflation assumption	2.9	2.9

* Please note that the salary increase assumption for 30 June 2010 is 1.0% p.a. until 30 June 2015, reverting to the long term assumption shown thereafter.

The post-retirement mortality assumptions used to value the benefit obligation at 30 June 2014 are based on the analysis used for the formal valuation as at 31 March 2011, with improvements from 2008 in line with the medium cohort and a 1% p.a. underpin. Based on these assumptions, the average future life expectancies at age 65 for current pensioners are 20.4 years for males and 22.8 years for females, and for future pensioners 22.6 years for males and 25.4 years for females. The mortality assumptions are identical to those used in the previous accounting period.

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

The amounts charged or (credited) in operating cost statement are as follows:

	2014	2013
	£'000	£'000
Current service cost	18	17
Interest on obligation	9	7
Expected return on plan assets	(8)	(7)
Total	19	17

The amounts charged or credited in profit or loss were included in Staff Costs.

The amounts recognised in the statement of financial position are as follows:

	2014	2013
	£'000	£'000
Fair value of plan assets	199	163
Present value of funded retirement benefit obligations	(255)	(174)
Net liability	(56)	(11)

The major categories of plan asset and percentage of the total plan assets are as follows:

	2014	%	2013	%
	£'000		£'000	
Equities	158	78	129	79
Bonds	14	7	11	7
Property	14	8	15	9
Cash	13	7	8	5
	199	100	163	100

19. Movement in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2014	2013	2014	2013	2014*	2013
	£000	£000	£000	£000	£000	£000
Balance at 1 July	174	145	163	124	11	21
Included in profit or loss*						
Current service cost	18	17			18	17
Interest cost/(income)	9	7	8	6	1	1
Included in OCI*						
Re-measurements loss/(gain):						
Actuarial loss (gain) arising from						
Change in financial assumptions	49	-			49	-
Return on plan assets excluding interest income			9	15	(9)	(15)
Other						
Contributions paid by the employer			14	13	(14)	(13)
Contributions paid by employee	6	6	6	6	-	-
Benefits paid	(1)	(1)	(1)	(1)	-	-
Balance at 30 June	<u>255</u>	<u>174</u>	<u>199</u>	<u>163</u>	<u>56</u>	<u>11</u>

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
	£'000	£'000
Opening defined benefit obligation at 1 July	174	145
Current service cost	18	17
Benefits paid	(1)	(1)
Interest cost	9	7
Change in financial circumstances	49	-
Contributions by plan participants	6	6
Closing defined benefit obligation at 30 June	255	174

The cumulative actuarial losses recognised in the statement of total recognised gains and losses at 30 June 2014 was £41,000.

Amounts for the current and previous periods are as follows:

	2014	2013	2012
	£'000	£'000	£'000
Fair value of plan assets at 30 June	199	163	124
Present value of defined benefit obligation at 30 June	(255)	(174)	(145)
Surplus/(deficit) in the plan	(56)	(11)	(21)
Experience adjustments arising on plan assets	(8)	(14)	(10)
Experience adjustments arising on plan liabilities	-	-	-

During the year to 30 June 2015, SLCC estimates that contributions of £14,000 will be paid to the Local Government Pension Scheme.

20. Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

	Approximate % increase to Employer	Approximate monetary amount £(000)
0.5% decrease in Real Discount Rate	14%	36
1 year increase in member life expectancy	3%	8
0.5% increase in the Salary Increase Rate	7%	17
0.5% increase in the Pension Increase Rate	7%	17

Appendix 1 – Direction by Scottish Ministers



SCOTTISH LEGAL COMPLAINTS COMMISSION

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 15(1) of The Legal Profession and Legal Aid (Scotland) Act 2007, hereby give the following direction.
2. The statement of accounts for the financial year ended 30 June 2009, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. In accordance with section 15(1) (c) of the Act a copy of the statement of accounts should be sent to the Scottish Ministers. following the financial year ended 30 June. The accounts will be sent by Scottish Ministers to the Auditor General for Scotland and will be subject to audit by auditors appointed by the Auditor General for Scotland. The audited statement of accounts will be laid before the Scottish Parliament.
5. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 19 October 2009