

To:	Legal Services Board	
Date of Meeting:	30 May 2012	Item: Paper (12) 39

Title:	Draft LSB Annual Report and Accounts 2011/12 for approval	
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Status:	Unclassified	

Summary:
<p>The Board was invited in early April to review, out of committee, a draft version of Section A of the Annual Report and Accounts for 2011/12. The Audit and Risk Committee (ARC) was separately invited to review the financial narrative and Governance Statement out of committee.</p> <p>Comments received from Board Members - as well as from the National Audit Office (NAO) and the Internal Auditors - have been addressed and the NAO has indicated that it will give the LSB an unqualified audit opinion.</p> <p>The fully designed version of the LSB Annual Report and Accounts 2011/12 is attached at Annex A. This version was endorsed – subject to some minor text amendments – at the ARC’s meeting on 17 May.</p> <p>On the basis of the ARC’s endorsement, the Board is invited to approve the draft Report for submission to the Comptroller and Auditor General and the Lord Chancellor.</p> <p>The final Report is scheduled to be laid before Parliament on 19 June 2012.</p>

Risks and mitigations	
Financial:	N/A.
FoIA:	Initial assessment: Annex A – s22 (the Report is due to be laid on 19 June).
Legal:	N/A.
Reputational:	The Report represents our formal accountability to Parliament and to stakeholders.
Resource:	N/A.

Consultation	Yes	No	Who / why?
Board Members:	✓		Iterations of the draft Report have been reviewed both by the Board and ARC.

Consumer Panel:		✓	N/A.
Others:	The draft Report was submitted for information to Ministry of Justice (MoJ) on 3 May and subsequent drafts have been provided including a copy of the version attached at Annex A. This has been submitted to the Minister.		

Recommendations:
The Board is invited approve the draft LSB Annual Report and Accounts 2011/12 for submission to the Comptroller and Auditor General and the Lord Chancellor. The Accounting Officer will sign the accounts on 31 May.

LEGAL SERVICES BOARD

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Draft LSB Annual Report and Accounts 2011/12 for approval

Executive Summary

Recommendations

The Board is invited:

- (1) to agree the draft LSB Annual Report and Accounts 2011/12
- (2) to delegate authority to approve the submission of the LSB Annual Report and Accounts 2011/12 to the Comptroller and Auditor General and Lord Chancellor to Chairman and Chief Executive.

Context

1. The Legal Services Act 2007 requires the Board to produce a Report for each financial year covering:
 - the discharge of the Board's functions
 - the extent to which, in the Board's opinion, the Board has met the regulatory objectives
 - such other matters as the Lord Chancellor may from time to time direct.
2. The Board must also produce an annual statement of accounts.

Background

3. The Board was invited in early April to review, out of committee, a draft version of Section A of the Annual Report and Accounts for 2011/12. The ARC was separately invited to review the financial narrative and Governance Statement out of committee.
4. Comments received from Board Members - as well as from the National Audit Office (NAO) and the Internal Auditors - have been addressed. The NAO anticipates certifying the financial statements with an unqualified audit opinion without modification and present the audit certificate as included in the report at **Annex A**.
5. On the basis of the ARC's endorsement, provided at its 17 May meeting, the Board is now invited to approve the attached Report for submission to the Comptroller and Auditor General and the Lord Chancellor.

Audit and Risk Committee review

6. The ARC considered the report in detail at its meeting on 17 May. It noted the one issue of significance raised by NAO in its audit findings, regarding the depreciation and amortisation of non-current assets. This related to revising the

useful economic lives of non-current assets from three years to four years, leading to a reversal of some charges, and also compensating adjustments to levy income and deferred income. The Executive had accepted the change, noting however that there was an element of subjectivity in terms of interpretation of the relevant financial reporting standard.

7. Other comments on Section A of the report and the narrative elements of the financial statements included the following:
 - the Ministry of Justice had proposed a minor adjustment to the wording of the Governance Statement (newly identified risks) which would be reflected
 - some text changes would be made to the financial results narrative contained with the LSB members' report, to reflect points raised by the Committee – including reference to the specific figures for the levy, prescribed fees, the underspend – as well as comparative figures for 2010/11
 - the strength of the Chairman's introduction was welcomed.

8. Comments on the financial statements included the following:
 - in relation to the 'rent free period', the Executive clarified that the figures for rent charged were correct, and that anomalies arose as a result of the irregular application of the rent free term across the term of the lease. The auditors confirmed that the accounting was correct, and was consistent with previous years
 - in respect of accruals, the figure represented sums not invoiced at year end - the Director of Finance confirmed that the figure was principally made up of research contracts, signed and commissioned at the year-end but not yet invoiced. Other elements included internal audit fees and recruitment fees
 - in relation to the 'going concern' status of the LSB, reference would be made to the assurances provided by Ministry of Justice to provide Grant in Aid if needed
 - in relation to 'financial instruments', the wording would be expanded to clarify what this meant within the LSB context.

Next steps

9. NAO have confirmed that, once signed, the Annual Report and Accounts and signed Letter of Representation should be sent to PKF. PKF will perform a series of checks on the document and once they are content it is in line with what they have audited they will forward on to the NAO.

10. NAO then complete some high level checks and the final subsequent events review (the confirmation from the Accounting Officer that nothing has changed). If the Annual Report and Accounts are signed on 31 May NAO anticipate that this will be on either the 6 or 7 June.

11. The accounts will then be submitted for formal certification. NAO cannot guarantee the day on which the C&AG will sign but if working to the 31 May timetable they would expect this to be by 8 June at the very latest (and would hope it would in fact be on 7 June).

12. The Report is on schedule to be laid before Parliament on 19 June.

13. To launch the plan, we will issue a media release, focusing on the core messages from the Chairman's foreword, which we hope will be accompanied by supportive remarks by the Minister. We will supplement this with distribution to key stakeholders and proactive briefing of media. The Report also presents an opportunity for a major interview with the Chairman which we will seek to secure. However, as the most 'newsworthy' elements of the Report – the strong Chairman's messages – have been covered recently in the positive reports of the Chairman's recent speeches (most particularly to the Russell Cooke forum earlier in the month) we should not be too disappointed if the media choose not to reprise those messages.

21.05.12