

Scottish Legal Complaints Commission

2024/25 Annual Audit Report



Prepared for the Scottish Legal Complaints Commission and the Auditor General for
Scotland
October 2025

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Key messages

Audit of the annual report and accounts

- 1 Audit opinions on the annual report and accounts are unmodified.
- 2 There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed by the Scottish Legal Complaints Commission.

Wider scope

- 3 The Scottish Legal Complaints Commission operated within its 2024/25 budget, reporting a surplus of £324,374.
- 4 A medium-term financial plan covering the period 2022 to 2028 is in place and this is being reviewed to reflect the changes expected from The Regulation of Legal Services (Scotland) Act 2025.
- 5 The Scottish Legal Complaints Commission has appropriate governance arrangements in place.

Introduction

Purpose of the Annual Audit Report

1. The purpose of this Annual Audit Report is to report the significant matters identified from the 2024/25 audit of the Scottish Legal Complaints Commission annual report and accounts and the wider scope areas specified in the [Code of Audit Practice \(2021\)](#).
2. The Annual Audit Report is addressed to the Scottish Legal Complaints Commission, hereafter referred to as 'SLCC' and the Auditor General for Scotland, and will be published on [Audit Scotland's website](#) in due course.

Scope of the audit

3. The audit is performed in accordance with the Code of Audit Practice, including supplementary guidance, International Standards on Auditing (ISA) (UK), and relevant legislation. These set out the requirements for the scope of the audit which includes:
 - an audit of the financial statements and an opinion on whether they give a true and fair view and are free from material misstatement, including the regularity of income and expenditure
 - an opinion on statutory other information published with the financial statements in the annual report and accounts, namely the Performance Report and Governance Statement
 - an opinion on the audited part of the Remuneration and Staff Report
 - conclusions on the financial sustainability of the SLCC and a review of the Governance Statement
 - reporting on the body's arrangements for securing Best Value.

Appointed auditor and independence

4. Lisa Duthie, Audit Director Audit Scotland, has been appointed as external auditor of the SLCC for the period from 2024/25 until 2026/27. As reported in the Annual Audit Plan, Lisa and the audit team are independent of the SLCC in accordance with relevant ethical requirements, including the Financial Reporting Council's Ethical Standard. There have been no developments since the issue of the Annual Audit Plan that impact on the continued independence of the engagement lead or the rest of the audit team, including the provision of non-audit services.

Responsibilities and reporting

5. The Code of Audit Practice sets out the respective responsibilities of the SLCC and the auditor, with a summary outlined below.

Auditor's responsibilities

6. The responsibilities of auditors in the public sector are established in the Public Finance and Accountability (Scotland) Act 2000. These include providing an independent opinion on the financial statements and other information reported within the annual report and accounts and concluding on the body's arrangements in place for the wider scope areas and Best Value.

7. The Annual Audit Report includes an agreed action plan at [Appendix 1](#). The matters reported are those that have been identified by the audit team during normal audit work and may not be all that exist. Communicating these does not absolve the body from its responsibilities outlined below.

Scottish Legal Complaints Commission's responsibilities

8. The SLCC has primary responsibility for ensuring proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety, and regularity that enables it to successfully deliver its objectives. The features of proper financial stewardship include:

- establishing arrangements to ensure the proper conduct of its affairs
- preparation of an annual report and accounts, comprising financial statements that gives a true and fair view and other specified information
- establishing arrangements for the prevention and detection of fraud, error and irregularities, and bribery and corruption
- implementing arrangements to ensure its financial position is soundly based
- making arrangements to secure Best Value
- establishing an internal audit function.

National and performance audit reporting

9. The Auditor General for Scotland and the Accounts Commission regularly publish national and performance audit reports. These cover a range of matters, many of which may be of interest to the SLCC and the Audit Committee. Details of national and performance audit reports published over the last year can be seen in [Appendix 3](#).

Acknowledgements

10. We would like to thank the SLCC and its staff, particularly those involved in preparation of the annual report and accounts, for their cooperation and assistance during the audit. We look forward to working together constructively over the remainder of the five-year audit appointment.

Audit of the annual report and accounts

Main judgements

Audit opinions on the annual report and accounts are unmodified.

There were no significant findings or key audit matters to report. All audit adjustments required to correct the financial statements were processed.

Audit opinions on the annual report and accounts are unmodified

11. The SLCC annual report and accounts were approved by the SLCC Board on 27 October 2025 and signed by the appointed auditor on 28 October 2025. The Independent Auditor's Report is included in the SLCC's annual report and accounts, and this reports that, in the appointed auditor's opinion, these were free from material misstatement.



The audit has been delivered in accordance with the agreed timetable

12. The unaudited annual report and accounts and working papers were received on 29 August 2025 in accordance with the agreed audit timetable. The working papers were of a good standard and staff responded promptly to audit queries.

The audit fee is unchanged from the level reported at planning

13. The audit fee for the 2024/25 audit was reported in the Annual Audit Plan and was set at £18,530. There have been no developments that impact on planned audit work required, therefore the audit fee reported in the Annual Audit Plan remains unchanged.

Materiality was reviewed on receipt of the unaudited annual report and accounts

14. Materiality is applied by auditors in planning and performing an audit. The concept of materiality is to determine whether misstatements

identified during the audit could reasonably be expected to influence the decisions of users of the annual report and accounts. Auditors set a monetary threshold when determining materiality, although some issues may be considered material by their nature. Therefore, materiality is ultimately a matter of the auditor's professional judgement.

15. Materiality levels for the audit of the SLCC were determined at the risk assessment phase of the audit and were reported in the Annual Audit Plan, which also reported the judgements made in determining materiality levels. These were reassessed on receipt of the unaudited annual report and accounts. Materiality levels were updated and these can be seen in [Exhibit 1](#).

Exhibit 1

2024/25 Materiality levels

Materiality	Amount
Materiality – set at 2% of gross expenditure	£91,000
Performance materiality – set at 75% of materiality. As outlined in the Annual Audit Plan, this acts as a trigger point. If the aggregate of misstatements exceeds performance materiality, this could indicate further audit procedures are required.	£68,000
Reporting threshold – set at 5% of materiality.	£5,000

Source: Audit Scotland

Significant findings and key audit matters

16. ISA (UK) 260 requires auditors to communicate significant findings from the audit to those charged as governance, which for the SLCC is the Audit Committee.

17. The Code of Audit Practice also requires public sector auditors to communicate key audit matters. These are the matters that, in the auditor's professional judgement, are of most significance to the audit of the financial statements and include:

- areas of higher or significant risk of material misstatement
- areas where significant judgement is required, including accounting estimates that are subject to a high degree of estimation uncertainty
- significant events or transactions that occurred during the year.

18. There are no significant findings or key audit matters to report.

Payment for goods and services

19. The SLCC aim to pay for goods and services within 30 days and report on their performance against this target. The Scottish Public Finance Manual requires relevant central government bodies to pay for goods and services in accordance with the Scottish Government target for the payment of invoices within 10 working days of their receipt. We continue to encourage SLCC to apply this going forward.

We have no issues to report on the qualitative aspects of accounting practices used for the 2024/25 financial statements

20. ISA (UK) 260 also requires auditors to communicate their view about qualitative aspects of the SLCC's accounting practices, including accounting policies, accounting estimates, and disclosures in the financial statements.

Accounting policies

21. The appropriateness of accounting policies adopted by the SLCC was assessed as part of the audit. These were considered to be appropriate to the circumstances of the SLCC, and there were no significant departures from the accounting policies set out in the Government Financial Reporting Manual (FReM).

Accounting estimates

22. Accounting estimates are used in the SLCC's financial statements, including provisions and short term employee benefits. Audit work considered the process management has in place, including the assumptions and data used in making the estimates, and the use of any management experts. Audit work concluded:

- there were no issues with the selection or application of methods, assumptions, and data used to make the accounting estimates, and these were considered to be reasonable
- there was no evidence of management bias in making the accounting estimates.

Disclosures in the financial statements

23. The adequacy of disclosures in the financial statements was assessed as part of the audit and no significant issues were identified.

One misstatement was identified during the audit process

24. One audit adjustment was required to correct a misstatement of £7,780 that was identified from the audit. Details of all audit adjustments greater than the reporting threshold of £5,000 are outlined in [Appendix 2](#).

25. Management processed audit adjustments for all misstatements identified over the reporting threshold. As a result, there are no uncorrected misstatement to report.

Audit work responded to the significant risk of material misstatement identified in the Annual Audit Plan

26. Audit work has been performed in response to the significant risk of material misstatement identified in the Annual Audit Plan. The outcome of audit work performed is summarised in [Exhibit 2](#).

Prior year recommendations have been implemented

27. The SLCC has made good progress in implementing the agreed prior year audit recommendations as outlined in [Appendix 1](#).

Exhibit 2**Significant risks of material misstatement to the financial statements**

Risk of material misstatement	Planned audit response	Outcome of audit work
Significant risks of material misstatement		
Fraud caused by management override of controls Management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.	The audit team will: • Assess the design and implementation of controls over journal entry processing. • Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries. • Test journals entries, focusing on those that are assessed as higher risk, such as those affecting revenue and expenditure recognition around the year-end. • Evaluate significant transactions outside the normal course of business. • Assess the adequacy of controls in place for identifying and disclosing related party relationships and transactions in the financial statements. • Assess changes to the methods and underlying assumptions used to prepare accounting estimates and assess these for evidence of management bias.	Audit work performed found: • The design and implementation of controls over journal processing were appropriate. • No inappropriate or unusual activity relating to the processing of journal entries was identified from discussions with individuals involved in financial reporting. • No significant issues were identified from testing of journal entries. • No significant issues were identified in relation to transactions outside the normal course of business were identified. • No significant issues were identified with related party transaction disclosures. • The methods and assumptions used to prepare accounting estimates were found to be reasonable. Conclusion: no evidence of fraud caused by management override of controls.

Financial Sustainability and Best Value

Conclusion

The Scottish Legal Complaints Commission operated within its 2024/25 budget, reporting a surplus of £324,374.

A medium-term financial plan covering the period 2022 to 2028 is in place and this is being reviewed to reflect the changes expected from The Regulation of Legal Services (Scotland) Act 2025.

The Scottish Legal Complaints Commission has appropriate governance arrangements in place.

Audit approach to wider scope and Best Value

Wider scope

28. Due to the nature and size of the SLCC and its limited financial activity, it is considered a less complex body for the wider scope audit. Therefore, the wider scope audit does not consider all four wider scope areas and is instead limited to concluding on the financial sustainability of the SLCC.

Duty of Best Value

29. The [Scottish Public Finance Manual](#) (SPFM) explains that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. [Best Value in public services: guidance for Accountable Officers](#) is issued by Scottish Ministers and sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

30. Consideration of the arrangements the SLCC has in place to secure Best Value has been carried out alongside the wider scope audit.

The Scottish Legal Complaints Commission operated within its 2024/25 budget, reporting a surplus of £324,374

31. The SLCC has reported a surplus of £324,374 against a planned surplus of £10,300, resulting in an underspend of £314,074 against budget. The financial performance is shown in [Exhibit 3](#).

Exhibit 3**Financial Performance in 2024/25**

	Final budget	Outturn	Over/(under) spend
	£	£	£
Income	(4,652,800)	(4,868,183)	(215,383)
Expenditure	4,642,500	4,543,809	(98,691)
(Surplus)/Deficit	(10,300)	(324,374)	(314,074)

Source: SLCC annual report and financial statements: year ended 30 June 2025

32. A cash balance of £1.698 million has been carried forward in 2024/25, an increase of £395,000 from 2023/24. The SLCC reserves policy states that three months of operating costs should be held as reserves and this position is achieved at 30 June 2025.

33. The SLCC strategy 2020 to 2024 was extended to 30 June 2025 due to the uncertainty around legislative reform. At the time of the 2025/26 budget consultation it was still unknown if the new legislation would be passed and so the SLCC Board agreed that an interim strategy covering the period 2025 to 2027 would be developed.

34. In light of the recent passing of The Regulation of Legal Services (Scotland) Act 2025 a strategy, covering the period from 2026 to 2030, is under development and is expected to be presented to the SLCC Board later in the year. This should be linked to the financial information in the medium-term financial plan.

The Board has approved the 2025/26 budget

35. The SLCC is funded by the general levy paid by legal professionals operating in Scotland which is collected by the relevant professional organisation and paid over to the SLCC. In addition, SLCC also receive funding in the form of the approved regulators' levy and the complaints levy, which is charged when a complaint is upheld.

36. The SLCC produces a detailed annual operating plan and budget. The 2025/26 budget was published in April 2025 and outlines the key proposals and changes from previous years, all of which has been subject to consultation. The budget takes into account factors such as pay increases and a rise in the volume of complaints, as well as savings achieved from the reduction in office space and efficiencies identified in the complaints process.

37. The SLCC Board took the decision to approve a deficit budget for 2025/26 as unspent reform costs from 2024/25 have been returned to reserves. Reserves of more than three months average expenditure continue to be held by the SLCC in line with the reserves policy.

A medium-term financial plan is in place and this is being reviewed to reflect the changes expected from The Regulation of Legal Services (Scotland) Act 2025

38. The SLCC has a medium-term financial plan in place which covers the period up to 2027/28 and provides three model budgets based on different levels of levy funding.

39. Each model budget predicts a deficit for the initial years but ends with a surplus position in 2027/28. Under all three scenarios, the SLCC has sufficient reserves to meet funding requirements whilst adhering to its reserves policy. Due to a number of factors, including the arrangements and funding around reform, and the update required to the corporate strategy, work is underway to review the medium term financial plan.

Appropriate arrangements are in place to secure Best Value

40. The Scottish Public Finance Manual (SPFM) notes that Accountable Officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. Ministerial guidance to Accountable Officers for public bodies sets out their duty to ensure that arrangements are in place to secure Best Value in public services.

41. The SLCC developed a Best Value policy in 2023/24 and this includes a matrix to reflect how Best Value has been delivered in the core areas of operation, using the guidance provided in the SPFM. Updates on the Best Value Framework are now presented to the Audit Committee.

Governance arrangements are appropriate

42. Our audit opinion considers whether the Governance Statement has been prepared in accordance with the Scottish Public Finance Manual and directions made by Scottish Ministers.

43. A Governance Statement prepared by the Accountable Officer is a key feature of the annual report and accounts. The statement confirms that the SLCC complies with relevant guidance on corporate governance. It also highlights the main risks and opportunities for the organisation. We reviewed these arrangements and concluded that they are appropriate, that the Governance Statement is consistent with the financial statements and has been prepared in accordance with guidance issued by the Scottish Ministers.

The Regulation of Legal Services (Scotland) Bill was passed in the Scottish Parliament in May 2025

44. The Regulation of Legal Services (Scotland) Bill was passed in the Scottish Parliament on 20 May 2025 and received royal assent on 27 June 2025. This represents an opportunity to improve efficiency and effectiveness through changes to the complaints process and the allocation of new duties and regulatory objectives to the SLCC. Now that the final bill has been passed, more detailed project planning can start, however it will not be possible to set out an overall delivery plan until there is more information on commencement orders and funding. Discussions on this are underway with Scottish Government.

45. The Performance Report refers to the process of reform and acknowledges that there is no risk to SLCC's going concern as the reform process further enhances and extends the functions of the SLCC. The performance report also recognises a range of risks which may affect the organisation as reform progresses.

Cyber security arrangements continue to improve

46. As part of our 2024/25 planning work on IT service delivery, we considered the cyber security arrangements within SLCC. The SLCC have continued their focus on cyber security during 2024/25 including renewal of the Cyber Essentials Plus Accreditation and completion of vulnerability assessments.

47. A cyber security risk is included in the strategic risk register and mitigating controls have been put in place to address this. Actions are followed up through the Audit Committee where cyber security is a standing item on the agenda.

48. The SLCC Business Continuity Plan (BCP) was reviewed and updated shortly after the year end. We encourage the SLCC to continue work in this area, including testing of the BCP and back-up restoration.

Recommendation 1

The SLCC should perform testing of the updated Business Continuity Plan and system restoration from back-ups.

Appendix 1 – Action plan 2024/25

2024/25 recommendations

Matter giving rise to recommendation	Recommendation	Agreed action, officer and timing
1. Testing of BCP and back-up restoration The SLCC continued to focus on cyber security during 2024/25. The SLCC BCP was reviewed and updated shortly after the year end. Testing should be carried out to ensure that the BCP operates effectively and to ensure that systems can be successfully restored from back-ups, to minimise the risk of service disruption.	The SLCC should perform testing of the updated Business Continuity Plan and system restoration from back-ups.	Accepted We are currently working through a number of actions at the moment that relate to our Business Continuity and testing of the Business Continuity Plan is on the list to be completed within the operational year 2025-2026. Director of Business Performance 30 June 2026

Follow-up of prior year recommendations

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
1. Propriety of Expenditure Audit testing identified a payment of £1,300 in respect of a cocktail making class held on SLCC premises in December 2023. This formed part of the SLCC contribution towards a Christmas event for staff. We discussed the matter with the Accountable Officer who in turn explained the circumstances around this particular event. There is no specific policy around this activity and its funding, and SLCC's current policies do not explicitly prohibit the purchase of alcohol as a business cost. There is a risk that SLCC expenditure on alcohol for staff benefits, does not demonstrate proper use of their resources.	SLCC should consider whether the provision of staff benefits including whether the purchase of alcohol are a proper use of their funding and the reputational impact this could have on the organisation. Policies should be reviewed and updated Senior Management Team 31 January 2025	Implemented

Matter giving rise to recommendation	Recommendation, agreed action, officer and timing	Update
2. Framework Agreement All NDPBs in Scotland should have a framework agreement with the Scottish Government. The SLCC Framework Document remains in draft form and has not been finalised. In order to provide clarity to SLCC, the framework agreement should be finalised and agreed as soon as possible. There is a risk that the accountability arrangements between SLCC and Scottish Government lack clarity.	SLCC should continue to engage with the Scottish Government sponsor department to finalise the framework agreement. This should provide further clarity around the respective roles and should be agreed as soon as practicable. Chief Executive Officer 31 December 2024	Implemented

Appendix 2 – Misstatements

Details	Financial statements lines impacted	Statement of Comprehensive Net Expenditure (SoCNE)		Statement of Financial Position (SoFP)	
		Dr	Cr	Dr	Cr
Adjusted misstatements		£	£	£	£
1. Expenditure cut-off error					
	Prepayments			7,780	
	Expenditure		(7,780)		
Net impact on financial statements			(7,780)	7,780	

Appendix 3 – National reports

Report name	Date published
Local government budgets 2024/25	15 May 2024
Scotland's colleges 2024	19 September 2024
Integration Joint Boards: Finance and performance 2024	25 July 2024
The National Fraud Initiative in Scotland 2024	15 August 2024
Transformation in councils	1 October 2024
Alcohol and drug services	31 October 2024
Fiscal sustainability and reform in Scotland	21 November 2024
Public service reform in Scotland: how do we turn rhetoric into reality?	26 November 2024
NHS in Scotland 2024: Finance and performance	3 December 2024
Auditing climate change	7 January 2025
Local government in Scotland: Financial bulletin 2023/24	28 January 2025
Transparency, transformation and the sustainability of council services	28 January 2025
Sustainable transport	30 January 2025
A review of Housing Benefit overpayments 2018/19 to 2021/22: A thematic study	20 February 2025
Additional support for learning	27 February 2025
Integration Joint Boards: Finance bulletin 2023/24	6 March 2025
Integration Joint Boards finances continue to be precarious	6 March 2025
General practise: Progress since the 2018 General Medical Services contract	27 March 2025
Council Tax rises in Scotland	28 March 2025

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