

SRA Board
22 March 2022

CLASSIFICATION – PUBLIC



This paper will be published

Solicitors Regulation Authority Limited 2021 Financial Statements

Reason for paper	To present the Solicitors Regulation Authority Limited Financial Statements and Letter of Representation for the year ending 31 October 2021.
Decisions(s)	The Board is asked to: <ul style="list-style-type: none"> a) approve the financial statements for 2021 prepared on a going concern basis b) agree that the Letter of Representation can be signed on behalf of the Board. c) agree to reappoint BDO as auditors of the Solicitors Regulation Authority Limited for the 2022 financial year.
Previous Board and committee consideration	This is the first set of financial statements for Solicitors Regulation Authority Ltd since we began operating and therefore the first time that the Board has been asked to approve them. The information within this paper was discussed at the Audit and Risk Committee on 10 March 2022.
Next steps	Once approved the financial statements of the Fund will be filed at Companies House.

If you have any questions about this paper please contact: Liz Rosser, Executive Director of Resources, liz.rosser@sra.org.uk.

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Purpose

- 1 This paper presents the Solicitors Regulation Authority Limited Financial Statements and Letter of Representation for the year ending 31 October 2021. The information within this paper was discussed at the Audit and Risk Committee on 10 March 2022.

Summary

- 2 As part of the year end external audit process, the SRA Board is asked to approve the 2021 year-end Financial Statements on a going concern basis and to approve signing of the Letter of Representation to the auditors. This Letter of Representation requires the approver to make representations based on enquiries of management and staff with relevant knowledge and experience and, where appropriate, inspection of supporting documentations sufficient to allow the approver to properly make the representations.
- 3 The financial statements show a surplus for the financial year of £1.880m with unrealised gains on investments increasing total comprehensive income to £2.107m.
- 4 Reserves at the end of the financial period are £15.4m of which £14.7m is unrestricted reserves once fixed assets are excluded. The policy approved in December 2021 established that free reserves should be between £15.7m and £22.5m.
- 5 The financial statements and letter of representation were considered by the Audit and Risk Committee on 10 March 2022 and the Committee agreed to recommend that the Board approve the financial statements and the letter of representation.
- 6 The financial statements do not include the disclosure of transactions with the Law Society. This is allowed as the SRA is part of the Law Society Group and accounts are prepared separately for the Group, so an exemption can be claimed to prevent disclosure of these transactions. This issue was discussed at Audit and Risk Committee as a query had been raised as to whether this was appropriately transparent. If this additional disclosure was to be added at this stage then additional audit work would be required which could not be completed prior to the approval of the financial statements. We are therefore proposing that this be considered and potentially included in future years.
- 7 Attached at annex 2 is a letter of representation which should be signed by the Chair on behalf of the Board. This letter is acknowledging that all members of the Board, individually, have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information. To provide the Board with some comfort in doing so, attached at annex 3 is an annotated version of the letter documenting where evidence has been obtained or reassurance given.

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- 8 The accounts are prepared on a going concern basis and an assessment of going concern is included at annex 4.
- 9 All members of the senior management team and the Director of Finance have read the letter of representation and provided confirmation that they are not aware of anything that should have been disclosed either to the auditors or the Board.
- 10 The Audit and Risk Committee considered a report from BDO on the outcome of the audit. The report confirmed that all audit work had been completed satisfactorily. The significant matters arising during the audit were all discussed by the Committee and the treatment of each agreed. There were no significant deficiencies identified and only four minor deficiencies, all of which were accepted by management. All prior year deficiencies were resolved with no continuing issues in the current year. The auditors have issued an unmodified opinion on the financial statements.
- 11 The Committee also considered the performance of BDO as external auditors at its meeting on 10 March 2022. The Committee concluded that, although there were some minor areas where we might want to see a change in approach from the auditors, it agreed to recommend to the Board the reappointment of BDO for an additional year. The Committee took views from management and those directly involved in the audit process in coming to this decision.
- 12 Once approved the financial statements of the Fund will be filed at Companies House.

Recommendations: the Board is asked to:

- a) **approve the financial statements for 2021 prepared on a going concern basis.**
- b) **agree that the Letter of Representation can be signed on behalf of the Board.**
- c) **agree to reappoint BDO as auditors of the Solicitors Regulation Authority Limited for the 2022 financial year.**

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Date 13 March 2022

Annexes

- Annex 1** Solicitors Regulation Authority Limited 2021 Financial Statements
Annex 2 Letter of Representation
Annex 3 Summary of sources of assurance obtained – Letter of Representation
Annex 4 Going concern assessment

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NB: annexes 2 to 4 will not be published because they are commercially sensitive and/or include legal or other professional advice on sensitive or confidential matters.