

SRA BOARD

29 April 2025

CLASSIFICATION – PUBLIC

*This paper will be published*

2023-24 SRA consolidated and Compensation Fund annual reports and accounts

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| Reason for papers | To present the Financial Statements and Letters of Representation for the year ended 31 October 2024 of Solicitors Regulation Authority Limited, Solicitors Indemnity Fund and the Compensation Fund. |
| Decisions(s) | <p>The Board is asked to:</p> <ul style="list-style-type: none"> a) approve the Solicitors Regulation Authority Limited consolidated financial statements for 2023/24 prepared on a going concern basis b) approve the Solicitors Indemnity Fund (SIF) financial statements for 2023/24 prepared on a going concern basis c) approve the Compensation Fund financial statements for 2023/24 prepared on a going concern basis d) agree the Letters of Representation can be signed on behalf of the Board e) agree to reappoint BDO as auditors of the Solicitors Regulation Authority Limited, SIF and the Compensation Fund for the 2024 financial year f) delegate the approval of any final changes to the annual report and accounts to the Board Chair. |
| Previous Board and committee consideration | On 25 March 2025 the Audit and Risk Committee reviewed each annual report and accounts as well as the information within this paper. The Board reviewed the prior year comparative financial statement information at its May 2024 meeting. |
| Next steps | The annual reports will be signed by the Chair on behalf of the Board. Once approved the Solicitors Regulation Authority Limited financial statements will be filed at Companies House and the Compensation Fund financial statements will be published on the SRA website. |

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

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**2023-24 SRA consolidated and Compensation Fund
annual reports and accounts**

Purpose

- 1 This paper presents the Financial Statements and Letters of Representation for the year ended 31 October 2024, for Solicitors Regulation Authority Limited (SRA Limited) SIF and the Compensation Fund. The information within this paper was discussed at the Audit and Risk Committee on 25 March 2025.

Summary

- 2 As part of the year end external audit process, the SRA Board is asked to approve the 2024 year-end Financial Statements on a going concern basis and to approve signing of the Letter of Representation to the auditors.
- 3 The financial statements and the letters of representation were considered by the Audit and Risk Committee on 25 March 2025. The Committee at this meeting considered the wording in the annual report, reviewed the accounting policies and areas of significant judgements in the financial statements, and noted the cumulative deficit on education and training activity. The Committee also considered the going concern review and approved the basis of, and actual recharge of costs to SIF and the Compensation Fund.
- 4 The Committee agreed to recommend that the Board approve the financial statements and the letters of representation.
- 5 The SRA Limited financial statements are those of the group including consolidation of the Solicitors Indemnity Fund (SIF). The SRA 'company only' financial statements enable the reader of the statements to understand the SRA-only view of performance and position.
- 6 They show a surplus of £2.3m for the group and £5.6m for SRA, referred to as 'company' within the financial statements. The total comprehensive income for the year including the impact of gains on investments was £6.2m for the group and £6.1m for SRA. Reserves at the end of the year were £44.0m for the group and £23.9m for SRA, of which £22.3m are unrestricted free reserves once fixed assets are excluded. The reserves policy revised in January 2024 established that reserves should be between £17.5m and £25.0m.
- 7 Attached at annex 7 is a letter of representation which should be signed by the Chair on behalf of the Board. This letter is acknowledging that the Board has taken all the steps that it ought to have taken to make itself aware of any relevant audit information. To provide the Board with some comfort in doing so annex 7 details where evidence has been obtained or reassurance given.
- 8 All members of the senior management team, the Deputy Executive Director of Resources and the Director of Finance have read the letter of representation and

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provided confirmation that they are not aware of anything that should have been disclosed either to the auditors or the Board.

- 9 The Audit and Risk Committee considered a report from BDO on the outcome of the audit. The report identified some outstanding items with all other audit work completed satisfactorily. At the time of writing all significant audit matters that were outstanding at ARC are considered resolved, except those outlined in paragraphs 15 and 16 below.
- 10 The significant matters arising during the audit were all discussed by the Committee and the treatment of each agreed. There were no significant internal control deficiencies identified and three minor deficiencies, each of which were accepted by management. The auditors have stated they expect to issue an unmodified opinion on the financial statements.
- 11 The Committee also considered the performance of BDO as external auditors. The Committee took views from management and those directly involved in the audit process and agreed that overall, performance was improved from the prior year. The Committee agreed to recommend to the Board the reappointment of BDO for an additional year.
- 12 The accounts are prepared on a going concern basis and an assessment of going concern is included at annex 4.
- 13 The Board is also asked to approve the separate financial statements of the Solicitors Indemnity Fund (SIF). The financial statements of SIF show a surplus for the year of £0.1m and net assets at the end of the year of £20.1m. The letter of representation in respect of SIF is included at annex 8, together with information on sources of assurance thereon. The letter includes reference to BDO's identification of immaterial unadjusted errors with a net Fund balance impact of £13k in the SIF accounts. A going concern assessment is included at annex 5. Both should be considered alongside approval of the SIF financial statements.
- 14 The Board is asked to approve the Compensation Fund financial statements. These are not consolidated in the SRA Limited group annual report and accounts.
- 15 The Compensation Fund accounts for 2024 show a surplus for the year of £19.6m, compared with a deficit of £29.1m in the previous year. The significant factors in this surplus are the increased contributions received in the year and reduced grants payments. The balance in the Fund at the end of the financial year was £44.7m, increased from £25.1m at the end of the previous year. The fund is considered a going concern and a going concern assessment has been prepared to support this statement. This is attached as annex 6. The letter of representation in respect of the Fund is included at annex 9, together with information on sources of assurance thereon.

Outstanding matters

- 16 The auditors need to conclude their audit of the 31 October 2024 provision for legal costs and have confirmed that they have received the information required to do so.

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BDO also need to consider our conclusion that the LSB's directions following their Axiom review do not have an impact on the financial statements.

- 17 The consolidated cash flow statement and the related note need to be completed. BDO are finalising their partner review of the audit. We expect these matters to have been concluded by the time of the meeting and will verbally report on these.

Recommendations: the Board is asked to

- a) **approve the Solicitors Regulation Authority Limited financial statements for 2024 prepared on a going concern basis**
- b) **approve the Solicitors Indemnity Fund financial statements for 2024 prepared on a going concern basis**
- c) **approve the Compensation Fund financial statements for 2024 prepared on a going concern basis**
- d) **agree the Letters of Representations can be signed on behalf of the Board**
- e) **agree to reappoint BDO as auditors of the Solicitors Regulation Authority Limited, Solicitors Indemnity Fund and the Compensation Fund for the 2025 financial year.**
- f) **delegate the approval of any final changes to the to the annual report and accounts to the Chair.**

Next Steps

- 18 Once approved the financial statements of the Solicitors Regulation Authority Limited will be filed at Companies House and the Compensation Fund financial statements will be published on the SRA website.

Annexes

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| Annex 1 | SRA Limited consolidated annual report and accounts |
| Annex 2 | SIF annual report and accounts |
| Annex 3 | Compensation Fund annual report and accounts |
| Annex 4 | SRA going concern assessment |
| Annex 5 | SIF going concern assessment |
| Annex 6 | Compensation Fund going concern assessment |
| Annex 7 | SRA sources of assurance on letter of representation |
| Annex 8 | SIF sources of assurance on letter of representation |
| Annex 9 | Compensation Fund sources of assurance on letter of representation |

NB: final versions of annex 1 to 3 will be published in due course. Annexes 4 to 9 will not be published because they are commercially sensitive and/or include legal or other professional advice on sensitive or confidential matters.

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