

Legal Services Agency Northern Ireland

Annual Report and Accounts

For the year ended 31 March 2022

*Laid before the Northern Ireland Assembly under
Section 11(3) (c) of the Government Resource
and Accounts Act (Northern Ireland) 2001
by the Department of Justice*

on

4 July 2022



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PERFORMANCE REPORT

OVERVIEW

This purpose of this overview is to provide information to enable readers to understand the remit and purpose of the Legal Services Agency Northern Ireland (the Agency or LSA). The Overview includes:

- the Chief Executive's perspective on the performance of the Agency over the period;
- the purpose and activities of the Agency; and
- the key issues and risks that could affect the Agency in delivering its objectives.

FOREWORD BY THE CHIEF EXECUTIVE

I am pleased to present the Annual Report and Accounts of the Agency for the financial year ended 31 March 2022.

The Agency aims to be a responsive and impartial Agency, efficiently administering publicly funded legal services for the benefit of all the citizens of Northern Ireland through innovative and digitally enabled services. The Agency applies statutory tests to determine whether an individual should receive civil legal services and, if eligible, makes payments to the legal profession on behalf of the assisted person for the legal services provided. While the Agency is not responsible for granting criminal legal aid, it funds and makes payments to the legal profession for criminal legal aid services, applications for which, are granted by the Judiciary.

During 2021-22 the Agency continued to refine and enhance its operational procedures and performance. This took place against a backdrop of significant staffing vacancies and sustained increases in business volumes as the justice system began to recover from the impact of the pandemic.

The Agency's Accounts are audited by the NI Audit Office (NIAO) and the opinion of the Comptroller and Auditor General (C&AG) is qualified in respect of limitations in scope in relation to the valuation of the provisions estimate and ruling out the existence of material fraud and error by legal aid claimants and legal practitioners. The C&AG's opinion is further qualified due to spend deemed to be irregular as it was made without legislative authority, as evidenced by under and over payments.

During the year the Agency established a dedicated team to deal with civil and criminal cases which have been inactive since July 2019 and exceed the indicative lifecycle for the case type. This work will strengthen the provisions model as it will provide an evidence base for the number of cases to be provided for within the system.

Addressing the fraud and error qualification continues to be a key priority for the Agency. Fraud and error may arise from three sources: official, applicant and practitioner and different approaches are required to address each.

FOREWORD BY THE CHIEF EXECUTIVE (CONTINUED)

Testing of official error continues to have been conducted by the Standards Assurance Unit (SAU) within the Department for Communities (DfC) under a Memorandum of Understanding (MoU). The estimated level of official error in 2021 was 4.3% (£1.9 million) which compares favourably with the 2020 estimate of 14.9% (£5.6 million); a decrease of 10.6 percentage points. While the reduction in the 2021 estimate is welcome the Agency continues to review and refine processes and training to further reduce the official error rate. Further details of the actions planned are outlined in the Performance Summary within this Annual Report. All under or over payments identified from SAU work have been reviewed and, subject to Agency Payment Policy, payments adjusted where appropriate.

The Agency also undertook its first assessment of applicant fraud and error during the 2021 year. This produced an estimate of applicant fraud and error of 32.1% (£1.3 million) in respect of eligible expenditure. The error rate was influenced by the number of assisted persons who cannot be compelled to co-operate and therefore did not engage (non-compliance error) with the review following the end of their case. As a result, the Agency has changed the approach to testing and in 2022 will review live rather than closed cases.

In addition, the Agency also ran a pilot on practitioner error and fraud calling in a number of practitioner files and undertaking a verification review in relation to the means, merits and payment. The lessons from the pilot will inform ongoing reviews of practitioner error in 2022. SAU will commence independent measurement of practitioner error and fraud in 2023.

The Agency set four strategic objectives for 2021-22 and we have set out detailed commentary against those within our Performance Analysis. The Agency continued to deliver a high level of service throughout the year through a mix of home and office-based working enabled by the Agency's Legal Aid Management System (LAMS). Over the past year the Agency adapted well to managing significant vacancies by putting in place temporary promotion opportunities and using recruitment agency staff to backfill vacancies. Covid restrictions continued to affect the number of staff working in the office and the hybrid working environment that had operated through much of the previous year remained part of the Agency's service delivery model. Staff have moved to a mixed model of partial home and office working on a rotational basis and were provided with any equipment required to establish suitable home workstations.

The Agency dealt with unprecedented demand with recovery in the justice system seeing the volume of bills received and payment made being the highest since the creation of the Agency in 2015. This was only possible due to the Agency's ability to flex its staff and secure additional funding in year.

The Agency values its people and encourages working with legal service providers and the wider justice system to facilitate access to justice. As part of this commitment the Agency continues to work with policy colleagues to support ongoing reforms to legal aid and other justice system initiatives. The Agency also worked to strengthen its relationships with external bodies and providers of legal services and to support the Minister's reform priorities.

FOREWORD BY THE CHIEF EXECUTIVE (CONTINUED)

I, and the Senior Management Team, would like to personally thank all the staff of the Agency for their very hard work and for the personal and professional resilience and commitment they have demonstrated during the last year. The demands placed on staff, particularly in an under resourced environment, have been numerous and changing and they have risen to the challenge with commendable dedication and innovation.

I welcome the new Non-Executive Board members and thank the outgoing members of the Agency Board for the support, oversight and guidance they provided to the Agency during another challenging year. I wish to acknowledge the engagement of the Law Society and Bar Council throughout the year.

The operational landscape continues to be challenging and the ambitions of the Agency to develop in capacity and efficiency remain undimmed but the Agency has proven itself capable of maintaining strong performance while improving our services and governance and a clear programme of works is planned for 2022-23. However, the practical realities for funding for legal aid is likely to provide a challenging backdrop to the delivery of services.

Paul Andrews
Chief Executive and Accounting Officer

STATEMENT OF PURPOSE AND ACTIVITIES

The role of the Legal Services Agency in Northern Ireland

The Agency supports the justice system to ensure access to justice for everyone by administering publicly funded legal services impartially, effectively and efficiently within the governing legislation and policy framework set by the Minister of Justice. We ensure key principles of a democratic society in all we do; that all are equal before the law and have the right to a fair trial.

The Agency also works closely with the Department of Justice (DoJ) in the achievement of their wider strategic objectives. It works in partnership with its users and delivery partners to enhance its customer service delivery ensuring that legal services are available to those who meet the statutory eligibility tests, which support those in greatest need. It also ensures that publicly funded services reflect overall budgetary constraints and value for money.

The Agency decides applications for civil legal services against the statutory financial and legal tests to determine whether an individual should receive support. The Courts are responsible for granting criminal legal aid for defendants in criminal cases. The Agency also makes payments to the legal profession for services provided under both the criminal legal aid and civil legal aid services schemes while ensuring value for money.

As an Executive Agency within DoJ, the Agency operates under the direction and control of the Minister of Justice. However, the Chief Executive is also a Statutory Office Holder, as Director of Legal Aid Casework (the Director), with obligations to take decisions in relation to individual civil legal aid decisions in Northern Ireland, in accordance with the relevant legislative provisions and independent from any Ministerial or Departmental interference. As required by the Act, the Director prepares an annual report setting out how he discharged his statutory duties - [LSANI - Director of Legal Aid Casework - Annual Report 2020-2021 - Final \(justice-ni.gov.uk\)](#).

How we deliver

The Agency's main deliverables include:

- deciding applications for civil legal services in respect of advice, assistance, and representation and authorising independent legal representation for applicants that enable them to enforce and protect their rights;
- deciding requests for civil and criminal authorities to include expert witnesses and interpreter/translator requests;
- assessing and making payments of bills received for civil and criminal legal aid;
- conducting internal reviews and redeterminations as necessary;
- operational delivery of interpreting services;
- supporting the independent appeals function;
- investigating and tackling fraud and error;
- registering firms, solicitors and barristers who do legal aid work;
- maintaining and developing systems, procedures and relationships which support all of our key activities and the wider strategic aims of the DoJ;
- supporting the development and implementation of the legal aid reform programme; and
- processing all business in a modern, digitally enabled and sustainable way to deliver a high quality user focused service.

Our vision

The Agency's Vision is to be a responsive provider of high quality, digitally enabled services which supports individuals seeking justice.

Mission Statement

To facilitate access to justice by delivering timely and high quality decisions and payments which secure value for money.

Our values

All of us within the Agency seek to uphold the NICS values¹ of:

- Integrity - putting the obligations of public service above your own personal interests;
- Honesty - being truthful and open;
- Objectivity - basing your advice and decisions on rigorous analysis of the evidence; and
- Impartiality - acting solely according to the merits of the case and serving equally well Ministers of different political persuasions.

We have also committed to the following values:

Leadership

To build high performing teams and develop staff whilst appreciating, recognising and celebrating achievements. Staff will act with integrity at all times and will be authentic, open and honest in relationships with colleagues and practitioners, demonstrating trustworthiness in the course of their work.

Making a difference

To support each other and providers to facilitate meaningful access to justice for those who could not otherwise defend themselves or assert their rights.

¹ <https://www.finance-ni.gov.uk/publications/nics-code-ethics>

Our strategic aim

Our aim is to support the justice system and to facilitate access to justice by delivering timely and high quality decisions and payments which secure value for money. As an Agency of the DoJ, the LSA operates under a Framework Document, which sets out the arrangements for the effective governance, financing and operation of the Agency. A copy of the Framework Document can be found at [Framework Document | Department of Justice \(justice-ni.gov.uk\)](https://www.justice-ni.gov.uk/framework-document).

Our strategic objectives

The Agency's four strategic objectives for 2021-22 were to:

- 1. Deliver high quality Legal Aid Services** - deliver a modern, digitally enabled service which can respond to Agency, customer and practitioner needs;
- 2. Customer stakeholder and partner engagement** - continue responsive and innovative engagement with customers, stakeholders and partners to ensure that the requirements of all groups are understood and met;
- 3. Strengthen our Governance and Accountability** - enhanced confidence and transparency in our stewardship of public money; and
- 4. Support and Empower our People** - a properly resourced and skilled workforce, which delivers our core business.

Going concern

In accordance with the Government Financial Reporting Manual, the financial statements for the Agency in respect of the financial year to 31 March 2022 are prepared on a going concern basis. The going concern basis is set out in Note 1.2 to the Accounts.

The Statement of Financial Position as at 31 March 2022 shows a net liability of £152m (2020-21: £145m). This reflects the inclusion of liabilities for legal aid provisions falling due in future years, which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from expenditure approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the DoJ which funds the Agency. Under the Government Resources and Accounts Act 2001, no money may be drawn from the Fund by the Department other than required for the service of the specified year or retained in excess of that need. There is no reason to believe that the future approvals will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of the Agency's financial statements for 2021-22.

Equality

The Legal Services Agency in delivering its services seeks to promote equality of opportunity within the nine groups under Section 75 of the Northern Ireland Act 1998. Subject to statutory tests, the Agency's services may also be available to individuals who are not resident in Northern Ireland but are involved in litigation in this jurisdiction.

The customers of the Agency are self-selecting, based on applications made by parties who seek the support of legal aid to be a party to legal proceedings. Applications are determined in accordance with statutory tests which typically involves a financial eligibility test and a legal merits test.

The Agency has refined guidance to staff during the year in order to enhance the consistency of assessments on the basis that staff are required to use an element of discretion in the assessment of many cases.

The Agency's people

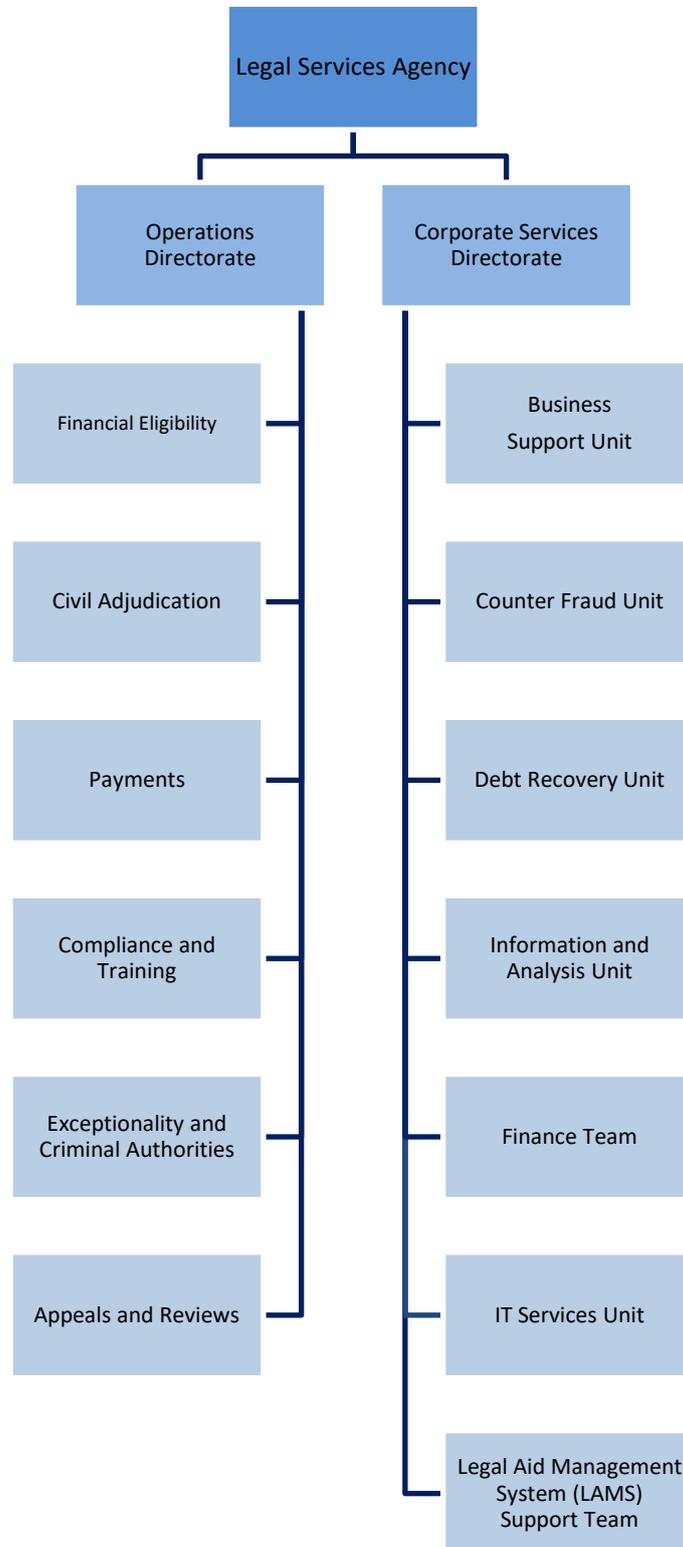
The Agency's people are at the heart of everything we do, with two thirds employed in front line services.

All of our Agency staff have access to the required technology to facilitate staff working from home and to support digital communications. The NICS New Ways of Working Project has supported the Agency in reviewing our operations and considering how we will work in the future. The new NICS Hybrid Working Policy has been developed to support new ways of working and our participation in the DoJ Hybrid Working Policy Pilot has helped us understand how best to keep staff connected remotely, facilitate digital meetings and encourage regular team communications as the implementation of the policy is rolled out across the NICS next year. Access to on-line training has continued to be promoted particularly to support the resilience and mental health of staff.

In response to Covid-19 restrictions, NICS HR scaled back on promotion and recruitment competitions during the year meaning that many vacant posts within the Agency were not filled substantively for the majority of the year. The use of temporary promotions and recruitment agency staff has improved the resource position and in the second half of the year a number of new staff joined the Agency. However a number of priority posts have yet to be filled substantively and the number of vacancies throughout the year had an impact on our ability to meet all of our targets.

Organisational Structure

The work of the LSA in administering publicly funded legal services is taken forward under two Directorates: Operations and Corporate Services. The structure of the Agency is set out below along with an overview of the core work of each team.



Operations Directorate

The work of the Operations Directorate is taken forward across a number of business areas performing key functions in the assessment and payment of civil legal aid and the payment of criminal legal aid.

Assessment of financial eligibility

The Financial Eligibility Unit (FEU) is the point of entry for anyone applying for civil legal services. FEU assesses all applications to ensure the applicant's financial means fall within the legal scope of eligibility and to determine whether the applicant may be required to make a contribution towards their legal costs. FEU also conduct benefit checks on behalf of the Northern Ireland Courts and Tribunals Service to inform judicial determinations in relation to applications for criminal legal aid under a service level agreement.

Civil adjudication

Civil adjudication applies the statutory tests to determine the legal merits of applications for representation under civil legal aid. If an application meets the statutory criteria the scope of the cover provided will be set out in the legal aid Certificate. When a Certificate is in place, Adjudicators also determine amendment and authority requests received from suppliers, for example where authority is sought to instruct a barrister or an expert witness to progress court proceedings.

Payments

Payments Branch assess requests for payments for cases funded under civil and criminal legal services in keeping with the terms of the relevant remuneration legislation. Improving accuracy and addressing error and fraud in the payment of legal aid is a key feature of their work to ensure we pay practitioners what they are entitled to and to prevent and detect fraud and error.

Compliance and training

The Compliance and Training Unit (CTU) administer all of the streams of error and maintain the Agency's working relationship with Department for Communities Standards Assurance Unit (SAU). CTU are responsible for the development of procedural guidance and quality assurance regimes following SAU identified errors and the delivery of training to support this.

Operations Directorate (continued)

Exceptionality and criminal authorities

Exceptionality and Criminal Authorities Unit make decisions and manage cases, which fall outside the scope of civil legal services and criminal standard fee remuneration rules. There are two types of cases: Exceptional Preparation in criminal cases and Exceptional Funding for cases, which cannot be funded within the scope of the normal legal aid arrangements.

The Exceptional Preparation rules cater for particularly complex, novel and unusual criminal cases. It allows representatives to receive additional payment in cases (based on a specific hourly grant) to ensure appropriate remuneration for cases deemed not to be appropriately remunerated under the standard criminal fee payment regime.

The Exceptional Funding operates on a statutory basis to consider applications, which would not otherwise fall within scope of the prescribed legal aid coverage. Typically funding under the Exceptional Funding arrangements involve cases, which engage breach of UN Convention of Human Rights or, where the proceedings relate to Inquest into the death of a member of the applicant's family.

The Team also deal with criminal authorities requests for the engagement of experts in cases, advice and assistance extensions where the initial advice and assistance has not been suffice to provide appropriate advice and interpreter/translation requests for those who need them in ensuring they have fair access to justice.

Appeals and reviews

The Appeals and Review Administration Unit provide the administrative support to the Civil Legal Services Appeal Panel, which is an independent appellate body appointed by the DoJ, responsible for determining appeals against LSA decisions in relation to Representation Higher cases. These appeals can be in relation to:

- whether to fund, or continue to fund, civil legal services for an individual by way of representation (higher Courts); and
- the level of representation authorised for that individual.

The Unit also manages internal appeal arrangements and deal with reviews of decisions in relation to refusal to grant a certificate of exceptionality, review of the amount of hours granted under a certificate of exceptionality and redeterminations in relation to remuneration where a practitioner is dissatisfied with the level of remuneration assessed by the Agency.

Corporate Services Directorate

The Operations Directorate and wider Agency is supported by a range of Corporate Services functions:

Business support unit (BSU) - promotes effective communications, oversees governance, business cases and contract management, enables the Agency to meet its statutory requirements under the Freedom of Information and Data Protection Act. BSU is also responsible for records management within the Agency.

Counter fraud unit (CFU) - reviews and investigates referrals from within the Agency, other bodies or individuals alleging abuse of the legal aid system with a view to prevent and detect fraud. Historically this tends to be allegations about an assisted persons financial circumstances but also covers referrals in relation to suppliers of publically funded legal services. The unit works closely with other Government bodies including the Police and Regulatory authorities. The responsibility for the culture and awareness of fraud also lies with the Unit.

Debt recovery unit - oversee the collection of monies due to the LSA, interpreting and assessing recoverability and taking action to recover or write off.

Information and analysis unit - including independent Northern Ireland Statistics and Research Agency (NISRA) staff, the Unit leads on the development of Qlik Sense reporting based on LAMS, oversees the production of legal aid management information and analytical research for the Agency and the Department while providing statistical assurance in support of the fraud and error workstream.

Finance team - the finance function is supplied to the Agency under a shared service arrangement from the Department's Financial Services Division. The team's responsibilities include providing financial analysis, forecasts and advice to assist in the management of Agency budgets and providing financial accounting services to enable the Agency to meet its statutory financial reporting obligations. In addition, the Finance team provides financial governance advice to ensure the Agency conforms to Managing Public Money NI (MPMNI).

ICT services unit - the ICT function is also supplied as a shared service from the DoJ. The ICT services unit is responsible for managing the provision of infrastructure, desktop and connectivity within LSA; provision of ICT Support for LSA line of business system; delivery of new technical solutions to support LSA; and provision of IT security and technical advice within LSA. In addition, they have led on the re-procurement of the new contract for support and development of LAMS and transition of support services to the new provider.

LAMS support team - is responsible for the support and maintenance of LAMS, delivery of citizen payment services and use of the NI Direct contact centre services ensuring the availability of the system for both the Agency and external users and its interfaces to other systems. The team are also responsible for delivering enhancements to the system to reflect legislative or policy changes and to improve efficiency, controls and governance within the system.

Shared services

As part of the wider DoJ grouping, the Agency makes use of a number of Departmental and Northern Ireland Civil Service (NICS) centralised functions including:

- Human Resources - HR Connect and NICS HR;
- Procurement - Construction and Procurement Delivery (CPD);
- IT Services - IT Assist (for PCs and Network Services) and NI Direct (for call handling and citizen facing services);
- Finance Functions - Account NI and DoJ Financial Services Division (FSD);
- Management Information - DoJ Analytical Support Services and NISRA statisticians;
- Legal Services - Departmental Solicitor's Office (DSO) and Crown Solicitor's Office (CSO); and
- Internal Audit Services - DoJ Internal Audit Service (IAS), under the NICS Internal Audit team.

There are also a number of other NICS wide and DoJ Shared Services that LSA would be mandated to use in the first instance should a need arise.

Working with partners and providers

Legal aid is an important component of the justice system in Northern Ireland. The Agency also works with a wide range of providers of legal services and other justice partners and key stakeholders including: the Office of the Lord Chief Justice, the Judiciary, the Bar Council, the Law Society, the Guardian Ad Litem Agency, the Northern Ireland Courts and Tribunals Service, the Public Prosecution Service, the Police Service of Northern Ireland and voluntary sector organisations.

The Agency's relationships with these stakeholders and providers are central to the work of the Agency.

The Agency has been actively engaged in the following:

- stakeholder engagement with the Law Society and Bar Council monthly via the Operational Forum to maintain positive working relationships, ensure key information is exchanged on a timely basis, drive improvements in the submission of applications and bills through guidance and messaging, collaborate on measures to ensure that work to deal with the fraud and error qualification is understood and successfully communicated;
- the establishment of a Stakeholder and Engagement Strategy Group to ensure effective involvement and engagement strategies are developed and delivered and key stakeholders are informed and involved in the operation and reform of the LSA;
- Magistrates' and Family Courts working groups to ensure that the Agency supports the work of the Courts;
- interaction with the Enabling Access to Justice Division in DoJ to develop legal policy and deliver improvements in efficiency and effectiveness;
- interfacing with the Courts to resolve issues in particular cases or improve data sharing to address fraud and error;
- interacting with the Courts and Public Prosecution Service in relation to cases and recovery data;
- reform projects which impact on civil legal services or criminal legal aid; and
- the Shadow Family Justice Board and the Shadow Civil Justice Council.

The Agency has regular engagement with the organisations outlined above on key operational issues. Staff within the Agency maintain open contact with the supplier base to ensure the smooth running of the Agency.

The Agency also recently established a Change Forum and drafted Terms of Reference which has been issued to the profession. The Forum will facilitate change requests to enhance LAMS.

Key risks and issues

The Agency relies on a well-embedded risk management process designed to identify and prioritise the risks to the achievement of the Agency's objectives, to evaluate the likelihood of those risks occurring and to limit the impact should they materialise. The Agency sets its risk appetite in determining what level of risk it is willing to accept and hence what level of mitigation is required. Both the structure of risk appetite: Averse, Open or Hungry and the format of the risk register align to the approach adopted by the Department. Throughout 2021-22, the Agency has ensured that key and emerging risks have been clearly identified and escalated, with actions identified and implemented to mitigate those risks.

Through the Agency's ongoing monitoring and reviews of risk and mitigations, it has been able to respond to, and manage, the dynamic environment that the demands of the Covid-19 pandemic, modernisation and addressing the qualifications to the Accounts has brought to the Agency over the past year.

The Agency's key risk areas and the corresponding actions being taken are as follows.

1. Budget - *the risk that an inadequate budget will result in significant delays in processing bills at a time of recovery in the Justice system.*

The Agency liaised regularly with FSD and Board to review outturn to budget and monitor financial pressures. This allowed the Agency to pro-actively utilise easements to maximise fund spend as required.

Throughout the year the Agency used Monitoring Rounds and other finance exercises to highlight pressures and secure additional funding to maximise payments to the profession. The Agency was successful in securing and paying out an additional £19m above their opening budget allocation.

The forecasting model continued to be embedded and has been continually refined to assist in forecasting demands on the fund. Intelligence has been sought from NI Courts and Tribunals Service to support this.

The Agency met monthly to provide briefings to the profession on budget and provided management information on the Agency performance against key targets. The Director of Justice Delivery and the Minister also met with the profession in relation to budget impacts.

2. Fraud and error - *there is a risk of inability to control the root causes of estimated fraud or error in the assessment of liabilities for work to be funded from legal aid, leading to risk of regulatory breach and account misstatement.*

A range of control measures have been developed to reduce the risk, including the revision and agreement of a Memorandum of Understanding (MoU) with SAU responsible for independently measuring error on behalf of the Agency.

Key risks and issues (continued)

A number of trainers were recruited in the year to drive down official error rates and quality assurance checks embedded following feedback from SAU via monthly error progress report. A suite of guidance was also issued to the profession to improve the accuracy of payments.

Applicant testing commenced by SAU with the first fraud and error estimate provided for the 2021 calendar year. SAU contacted Assisted Persons to verify their financial eligibility at date of legal aid application and throughout life of certificate.

The Agency launched a 'test and learn' pilot in October 2021 in relation to a review methodology which has been developed to assess and detect the level of practitioner fraud and error in the legal aid system. An independent measurement methodology has been developed in conjunction with SAU to commence testing in early 2023.

A Fraud and Error Action Plan was developed at the beginning of the financial year, which was endorsed by the Counter Fraud and Error Oversight Group. Progress against the Plan is reported to the Board, Permanent Secretary and Justice Committee, and significant progress has been made to date with a number of the objectives fully completed.

A new Fraud Referral Policy and Guidance issued to all Agency staff in October 2021. The policy was rolled out to all staff ahead of the Practitioner Pilot going live to reinforce the need to prevent and detect fraud. This was followed by a Fraud Awareness Programme in November 2021 which was delivered to all the staff and an E-Learning Fraud Awareness package was also developed and implemented in 2022.

3. Resources to deal with Service Delivery and Reform - *there is a risk that failure to fill vacant posts and workforce management issues will impact on the capacity and capability of the Agency to deliver and improve services on time and to the required standard.*

The Agency's staffing requirements were funded within the opening budget and recruitment agency staff and temporary promotions were used to fill vacancies where possible to maintain service delivery. Supply at AO-EOI grades became available in the last quarter of the year reducing the number of vacancies at year end.

Business critical posts were identified and prioritised and monthly meetings with NICS HR were held in order to closely manage vacancies and sickness absence. In conjunction with this specific training needs on business processes were identified and delivered by business areas or trainers.

Full remote working capacity has been rolled out to all staff and a Hybrid Working Policy Pilot undertaken to support the Agency's approach to implementation in due course.

PERFORMANCE SUMMARY AND FORWARD LOOK

Performance summary

The Agency has:

- processed a significant increase in claims having secured an additional £19m above the opening budget allocation. This was against a backdrop of managing significant staff vacancies and to a lesser extent Covid related absence. The main impact Covid has had on performance has been brought about by the inability of NICS HR to recruit and fill key vacancies in the Agency. This has resulted in a number of targets only being partially achieved;
- reduced official error rate by 10.6 percentage points against the 2020 rate of 14.9% (£5,573,318) (2021: 4.3%; £1,924,466);
- extended the effective partnership working with the Department for Communities who estimate the official fraud and error rate within the legal aid system, to implement applicant fraud and error measurement and commence a pilot on practitioner fraud and error;
- revised our provisions and forecasting models to help manage our budget more effectively;
- delivered a programme of work in relation to: measuring fraud and error from all potential sources and provisions, to continue to address and remove the qualifications on our accounts;
- recruited professionally qualified trainers and developed a Compliance and Training Unit providing staff training and incorporating quality assurance checks into processing in order to improve accuracy, reduce official error and process business more efficiently;
- conducted a public consultation on the publication of legal aid fee earnings;
- enhanced communications across the Agency and with external stakeholders, including the establishment of an Engagement and Communications Group to promote effective working between the professional bodies and the Agency;
- supported planning for the introduction of legislative authority to launch a Statutory Registration Scheme;
- revised our Debt Management Strategy;
- procured a new contract for LAMS support, maintenance and development; and
- promoted health and well-being through promotion of on-line wellness sessions.

Forward look

During 2022-23 the Agency will continue to build upon its modernisation programme to improve the responsiveness of services and embed a change culture into the way legal aid is delivered and its underpinning governance.

We will implement the Hybrid Working Policy and support managers and staff to adapt and embrace the future way of working.

The five strategic objectives for the Agency for 2022-23 are:

- We will deliver modern, high quality digitally enabled legal aid services that can respond to customer and practitioner needs and support a faster more effective justice system to serve the needs of those who engage with it.
- We will work to streamline and enhance our digital services and contribute to policy development and implementation of Legal Aid reform.
- We will create a culture where well-being and learning are at the forefront of what we do. We will support and develop our people to lead, manage and embrace diversity, inclusion and a new culture of working whilst continuing to improve capacity and capability. We will invest in and encourage leadership at all levels.
- We will strengthen governance, accountability and decision-making consistency and transparency of our decisions and delivery in line with our Governance Framework.
- We will develop new and more effective ways to engage with stakeholders, justice partners and customers in order to deliver a more effective service.

The Agency will continue to work in support of the Minister's reform priorities and will collaborate with policy teams on reform initiatives.

PERFORMANCE ANALYSIS

During the year there have been a number of developments which have had a significant positive impact on the way the Agency works as an organisation and the resulting interaction with providers. These were achieved while continuing to work through a period of significant challenge presented by the Covid-19 pandemic.

The draft Programme for Government (PfG) outlines the major societal outcomes the NI Executive is seeking to achieve and focuses on the need for significant changes in approach and behaviour if delivery is to be achieved.

The Department of Justice is leading on Outcome Seven:

“We have a safe community where we respect the law and each other”.

Underpinning Outcome Seven are three indicators, namely:

- Indicator 1 - Reduce Crime;
- Indicator 38 - Increase effectiveness of the Justice System; and
- Indicator 39 - Reduce Reoffending.

The Legal Services Agency contributes to deliver against Indicator 38: Increase effectiveness of the Justice System. We do this through being a responsive provider of high quality, digitally enabled services which support individuals seeking justice.

The Agency has continued to strive to deliver the commitments included in its 2021-22 Business Plan and the four Strategic Objectives (as below) established to drive the Agency forward.

The following sections summarise the Key Indicators, Performance Measurements and Progress of the Agency in delivering these targets in 2021-22.

Strategic Objective 1: Deliver High Quality Legal Aid Services		
Outcome	Measures	Progress at 31 March 2022
Applications		
Adjudicate on applications for civil legal services and criminal exceptionality.	Non-Emergency Applications Process 85% of all properly completed non-emergency applications for legal aid representation in: <ul style="list-style-type: none"> • Higher Courts; • Lower Courts; and • Exceptional Funding, within 16 weeks from date of receipt.	Achieved. All targets exceeded. <ul style="list-style-type: none"> • Higher Courts 93.7% • Lower Courts 100.0% • Exceptional Funding 96.0%
	Emergency Applications Process 90% of all properly completed applications (passported and non-passported) for emergency legal aid for representation in higher Courts within 48 hours from date of receipt.	Partially achieved. One of two targets achieved. <ul style="list-style-type: none"> • Passported 92.0% • Non-passported 86.6% These emergency application outturns have been partially achieved as they include requests that have necessitated a query being raised against them.
Appeal process		
Support the independent appeals process.	Representation Higher appeals Process 90% of all Representation Higher requests for appeal (including panel sitting cases) within 8 weeks from date of receipt.	Partially achieved. One of two targets achieved. All Representation Higher target not met as for a period of time all Representation Higher Appeals were being measured using an incorrect date and with incorrect data captured in this KPI category. <ul style="list-style-type: none"> • All Representation Higher appeals 84.6% • Civil Legal Services Appeal Panel (Panel sitting cases only) 90.7%

Strategic Objective 1: Deliver High Quality Legal Aid Services		
Outcome	Measures	Progress at 31 March 2022
Payments		
Pay properly presented bills.	<p>Advice and Assistance</p> <p>Process 95% of Advice and Assistance payment requests which do not generate queries within 12 weeks from date of receipt.</p>	<p>Achieved.</p> <ul style="list-style-type: none"> 99.4%
	<p>Criminal</p> <p>Process 95% of Criminal payment requests:</p> <ul style="list-style-type: none"> Crown Court; Magistrates Court; and Extradition, <p>which do not generate queries within 12 weeks from date of receipt.</p>	<p>Partially achieved.</p> <p>Extradition target under performance due to significant resourcing and process issues.</p> <ul style="list-style-type: none"> Crown Court 99.3% Magistrates Court 98.3% Extradition 61.2% <p>While the extradition KPI line did not achieve the target, this was derived through a small volume of requests. When the three criminal KPI lines are combined and considered as a composite measure, the overall processing of bills was achieved at 98.3%².</p>
	<p>Representation Higher</p> <p>Process 95% of Representation Higher payment requests:</p> <ul style="list-style-type: none"> Civil; Family - Paragraph 2; and Family - Paragraph 3, <p>which do not generate queries within 12 weeks from date of receipt; and</p> <ul style="list-style-type: none"> Taxed <p>which do not generate queries within 6 weeks from date of receipt.</p>	<p>Partially achieved.</p> <p>Targets missed due to resourcing and processing issues in the first half of the year. These have now been addressed and there is a significantly improving picture.</p> <ul style="list-style-type: none"> Civil 97.1% Family - Paragraph 2 81.3% Family - Paragraph 3 79.8% Taxed 97.3%

² The composite KPI outturn for criminal bills of 98.3% is derived from a total of 37,459 completed payment requests (Crown Court, 6,244; Magistrates Court, 31,076; and Extradition, 139). While the target for Extradition payments was not achieved for the reasons outlined above, notable improvement in performance was observed in the second half of the reporting year.

Strategic Objective 1: Deliver High Quality Legal Aid Services		
Outcome	Measures	Progress at 31 March 2022
	<p>Representation Lower</p> <p>Process 95% of Representation Lower payment requests:</p> <ul style="list-style-type: none"> • Children which do not generate queries within 24 weeks from date of receipt; and • Civil which do not generate queries within 16 weeks from date of receipt. 	<p>Achieved.</p> <p>Both targets exceeded.</p> <ul style="list-style-type: none"> • Children 99.4% • Civil 96.8%
Compliance and training		
Develop the Compliance and Training Unit.	Establish the Compliance and Training Unit by 30 September 2021.	<p>Partially achieved.</p> <p>New Unit established encompassing fraud and error compliance work and the Agency's training function. All internal processes to recruit the full staff complement have been completed but due to recruitment issues there are vacancies: at DP and SO level therefore the unit is below capacity to allow it to perform the full range of duties envisaged.</p>

Strategic Objective 1: Deliver High Quality Legal Aid Services		
Outcome	Measures	Progress at 31 March 2022
Counter Fraud		
Develop the Counter Fraud Unit	Develop a Counter Fraud Strategy by 30 September 2021.	<p>Partially achieved.</p> <p>Framework for Investigative strategies was developed and has been implemented in every case.</p> <p>Counter Fraud Unit staff accredited with new staff undergoing training. Appropriate security clearances in place.</p> <p>Recruitment of a Staff Officer Fraud Specialist has been completed and is now in post.</p> <p>Fraud Referral Policy has been developed and implemented throughout the Agency.</p> <p>Fraud Awareness sessions for the Agency were developed and rolled out to all staff. An E-Fraud Awareness package was developed for staff and is to be used for new incoming staff.</p> <p>Monthly reporting mechanisms are in place to increase the awareness of fraud.</p> <p>Work has commenced to develop a Fraud Risk Matrix, which will be used to underpin the Counter Fraud Strategy.</p> <p>The Counter Fraud Strategy and enhanced MI will be finalised in 2022-23 and the Agency is actively attempting to recruit a Business Analyst to support this area of work.</p>

Strategic Objective 2: Customer, Stakeholder and Partner Engagement		
Outcome	Measures	Progress at 31 March 2022
Maintain the Operational Forum and create an Engagement and Communications Group to promote effective working between the profession and LSA.	Scheduled program of engagement with practitioners and agreed enhancements to communications.	Achieved. The Operational Forum has been maintained and meets monthly (with separate and tripartite meetings being held with the Law Society and the Bar). The Engagement and Communications Strategy Group has been set up, Terms of Reference agreed and two meetings have been held to date. Future meetings have been scheduled.
Enhance communications to the assisted person and debtors.	Work with the Behavioural Insights to measure the impact of the revision of debt recovery communications.	Partially achieved. Work commenced on reviewing standard debtor letters. Business Insights Team has been engaged to assist with improved communications and have committed resources to commence their review on 1 April 2022.

Strategic Objective 2: Customer, Stakeholder and Partner Engagement		
Outcome	Measures	Progress at 31 March 2022
Support the development and delivery of policy and legislative change.	Participation on policy working groups and delivery of key outputs for projects.	<p>Achieved.</p> <p>The Agency has supported DoJ colleagues with the:</p> <ul style="list-style-type: none"> • introduction of the General Authority pilot for the use of psychiatrists and psychologists as expert witnesses in public law Children Order cases in the Family Proceedings court; • Magistrates' Court and County Court Appeals (Criminal Legal Aid) (Costs) (Amendment) Rules (Northern Ireland) 2021; and • Introduction of a General Authority Pilot for the Deployment of Mediators in Legally Aided Non-Family Intra-Litigation Civil Proceedings. <p>The Agency continues to work with colleagues on the implementation of:</p> <ul style="list-style-type: none"> • aspects of the Domestic Abuse and Civil Proceedings Act (NI) 2021; • review of the Crown Court rules; • introduction of the Statutory Registration Scheme; and • pilot project in relation to experts in the Family Proceedings Court; and the review of Family Fees. <p>As of 1 March 2022 the Agency have supported DoJ colleagues to implement the statutory review of the Magistrates Court Rules and the implementation of a Mediation in Civil Non Family cases. Work continues with DoJ colleagues on the statutory review of the Crown Court Rules.</p>

Strategic Objective 2: Customer, Stakeholder and Partner Engagement		
Outcome	Measures	Progress at 31 March 2022
Develop a LSA Communications Strategy.	Draft Communications strategy by 31 December 2021.	<p>Partially achieved.</p> <p>A draft Strategy has been developed but was not finalised due to the absence of resource. A communications resource is joining the Agency in April 2022 and the strategy will be completed in 2022-23.</p> <p>A review of the website has been undertaken and will continue in 2022-23.</p>

Strategic Objective 3: Strengthen our Governance and Accountability		
Outcome	Measures	Progress at 31 March 2022
<p>Continue to address account qualifications:</p> <ul style="list-style-type: none"> • Timely preparation and submission of Annual Report and Accounts; • Further refinement of the Provisions Model for fund liabilities; and • Reduction in official error and estimate of applicant error supported by review of practitioner error. 	<p>The key measures for each element are:</p> <ul style="list-style-type: none"> • Deliver Annual Report and Accounts in line with the agreed timetable; • Program of Case Closure to enhance provisions model; and • Development of a consolidated estimate of error. 	<p>Achieved.</p> <p>2020-21 Annual Report and Accounts certified by Comptroller and Audit General on 6 July 2021 and successfully laid before summer recess.</p> <p>The provisions model continues to be further refined. Internal Audit completed its 2021-22 review of Provisions in August and issued a satisfactory report.</p> <p>The auto close functionality is operational in LAMS. A Data Management Project has been established to review aged and inactive cases to assess whether these should be closed to improve the carrying value of provisions. Letters have issued to practitioners in relation to this work. LSA plan to switch on functionality, which will issue prompts to practitioners following set periods of inactivity on a case by summer 2022.</p> <p>The implementation of the Official Error strategy continues to progress with an official error rate for this year estimated at 4.3%. Significant work has taken place in reviewing and implementing desk instructions and continuing robust quality assurance processes in an effort to drive down error.</p> <p>Testing commenced in relation to Applicant Fraud and Error in April 2021. This has been problematic with some individuals being unwilling to co-operate once their case has concluded. However, a new approach to applicant error for live cases, Future Overpayment Prevention, is being implemented as this involves real sanctions for failure to co-operate.</p> <p>The Practitioner 'test & learn' pilot commenced in October 2021 and concluded in February 2022. The learning from the evaluation will be used to adapt the procedures and policy for roll out as business as usual.</p>

Strategic Objective 3: Strengthen our Governance and Accountability		
Outcome	Measures	Progress at 31 March 2022
Revise our Debt Management Strategy.	Continue to implement and update Debt Management Improvement Plan to increase assurance of accuracy and performance.	Achieved. Revised Debt Management Policy developed in conjunction with Financial Services Division and presented to Board. Any additional opportunities for improvement identified during business as usual will be taken forward.
Undertake procurement of a new contract for LAMS and the Qlik Sense system maintenance and development.	Progress procurement and work with incumbent and new providers to facilitate knowledge transfer and ensure service transitions to new provider.	Achieved. Following the conclusion of the procurement exercise the new contract for LAMS and Qlik Sense Support and Maintenance was awarded in December 2021, LAMS Support and ICT Services worked with the incumbent to complete the knowledge transfer process and ensure the transition to the new supplier was seamless. The new LAMS supplier support arrangements went live on 22 March 2022.
Implement the new Forecasting model developed in 2020-21 to help manage our budget effectively	Embed the new forecast model.	Achieved. New forecasting model revised and further refined to reflect the current operating environment. The refined model was adopted for the purposes of forecasting future year budget requirements in October/November 2021. Internal Audit have concluded their review of forecasting and provided a satisfactory opinion.

Strategic Objective 4: Support and Empower our People		
Outcome	Measures	Progress at 31 March 2022
Identify and procure suitable premises to accommodate our teams.	Specification for accommodation for future LSA needs and budget secured for building move.	<p>Achieved.</p> <p>Commercial Circular to market to inform options.</p> <p>Business Case developed and approved by Departmental economist and DoF Supply.</p> <p>Heads of Terms have been agreed for accommodation on 3rd Floor of the AIB building on Ann Street. The lease with Departmental Solicitor's Office for sign off.</p> <p>Detailed designs and specifications for construction complete and signed off. IT Assist to complete network connection.</p> <p>Checkpoint to govern progress established.</p>
Design and deliver a Corporate Training Plan.	Extent of uptake of training plan including bespoke in-house training.	<p>Partially achieved.</p> <p>A Training Needs Analysis (TNA) commenced in March 2022. The End Year Review process supported this.</p> <p>A training programme for 2022-23 will be developed based on the TNA in the first quarter of 2022-23. This will also reflect the feedback from the NICS People Survey.</p>
Promote Health and wellbeing.	Number of well-being messages and events supported.	<p>Achieved.</p> <p>A number of Corporate Health and Well-being events have been promoted.</p> <p>The Agency also participated in the DoJ Hybrid Working Policy Pilot. Lessons learnt will be factored into the rollout from April 2022.</p> <p>NICS HR provided Managing Sickness Absence training for all Agency Head of Branches in February 2022.</p>

Strategic Objective 4: Support and Empower our People		
Outcome	Measures	Progress at 31 March 2022
Adhere to performance management standards.	Compliance with performance management standards.	<p>Achieved.</p> <p>Compliance with HR Connect processes is robustly monitored, non-compliance highlighted, and rectification plans implemented.</p> <p>All compliance and performance management standards have been met.</p>
Expand access and utilisation of Qlik Sense to enhance operational performance.	Increased usage of Qlik.	<p>Achieved.</p> <p>All line managers and senior managers in Payments Services have access to Qlik and have received awareness sessions on the appropriate business use of Application to monitor workflow and ensure continued increases in productivity.</p> <p>Topic based workshops have taken place with Qlik licence holders to explore the capabilities of Qlik. A review has also taken place of the allocation of licences and agreement has been reached to expand the pool of licence holders to ensure that workflow can be better managed.</p> <p>Additional licences will be procured following the transition to the new service provider for LAMS.</p>

Legal aid expenditure and applications granted

The cost of legal aid in any year is expressed in the Accounts as the 'provisions expense' and this charge, as set out under Note 12 to the Accounts, has two components in respect of cases:

- Provided in the year - the estimated costs in respect of cases for which certificates have been granted in the year; and
- Re-measurement of opening balance - revaluations in respect of cases provided in the previous year but against which average case costs estimates have varied in the current year.

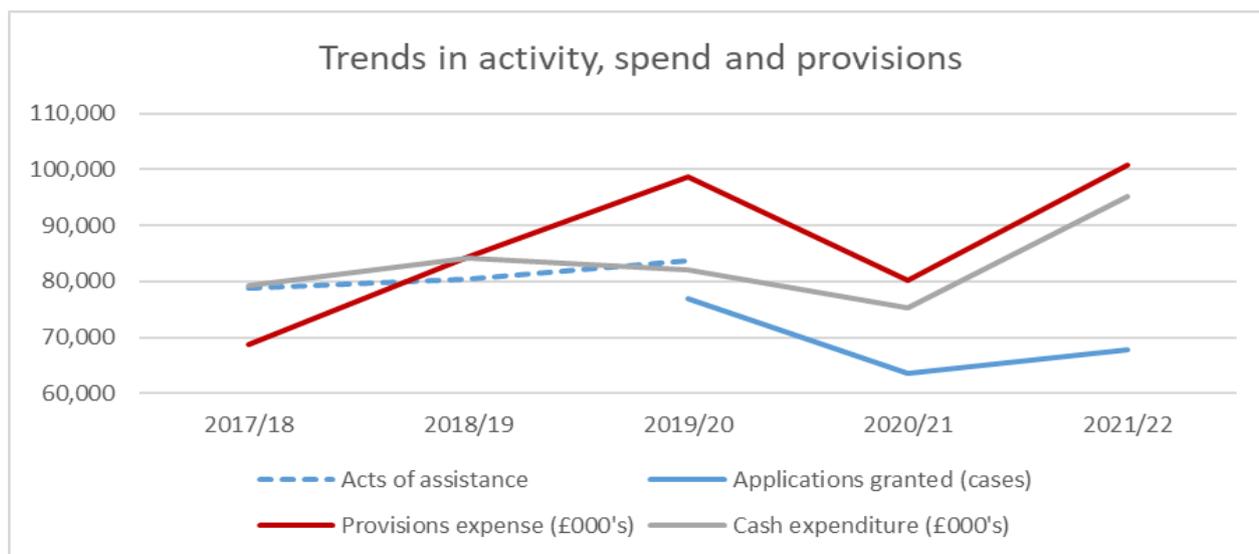
In addition, Note 12 also refers to 'Provisions utilised in the year' and this reflects the actual cash expenditure against cases in year.

The provisions balance may vary materially from year to year and with it the corresponding movement in the provisions expense. The provisions expense has increased from £80m in 2020-21 to £100m in 2021-22 in response to increased activity in the courts. Total legal aid expenditure in 2021-22 was £95m compared to £75m in 2020-21. This level of expenditure was facilitated by significant in year budget allocations totalling £19.8m which greatly enhanced the spending power of the Fund and meant by the last quarter of the year spend per month was approximately £9.5m.

	2017-18	2018-19	2019-20	2020-21	2021-22
Acts of assistance	78,680	80,499	83,663	N/A	N/A
Applications granted (cases)	N/A	N/A	76,884	63,587	67,714
Provisions expense (£m)	68.8	84.3	98.7	80.3	99.7
Cash expenditure (£m) - termed 'provisions utilised in the year'	79.2	84.2	82.1	75.2	94.7

The term 'acts of assistance' originated from Phoenix (the Agency's previous case management system) to estimate the volume of new work being supported by legal aid within any given year and was calculated on a legal aid 'certificate' basis. The new case management system (LAMS), which went live in July 2019, was designed to hold and manage data at a 'case' level (rather than certificate level). This fundamental difference means that acts of assistance has now been replaced with the number of applications granted as the new, equivalent measure to reflect the post-transformation environment. As multiple certificates could be granted on any case, acts of assistance would automatically be a higher figure than applications granted. To demonstrate the impact of this change on the longer-term trend, data has been compiled in both formats for 2019-20.

Legal aid expenditure and applications granted (continued)



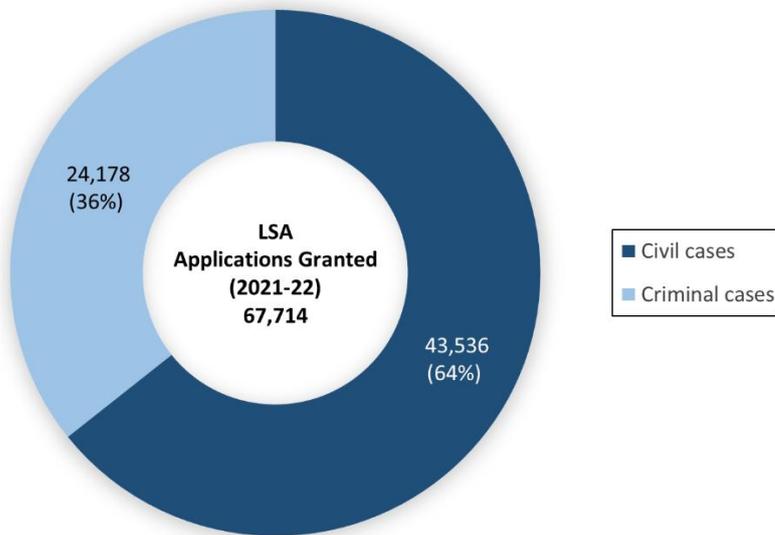
The Agency granted a total of 67,714 applications in 2021-22. This represents an increase of 6.5% compared to the 63,587 applications granted in 2020-21, due to increased activity in the courts as part of the Covid-19 recovery.

Applications for legal aid are received across five levels of services: Advice and Assistance, Criminal, Exceptional Funding (in respect of Legacy Inquests) Representation Lower and Representation Higher (the court tier determining the distinction).

LAMS provides the Agency with greater visibility over total demand and the spread across level of service and practitioners. It enables the Agency to more effectively and equitably control the flow of payments and to reflect changes in the profile of the bills being submitted. The Agency actively contacted practitioners to resolve queries satisfactorily so enabling due payments to be released and ensured processing in all areas was within performance targets.

Legal aid expenditure and applications granted (continued)

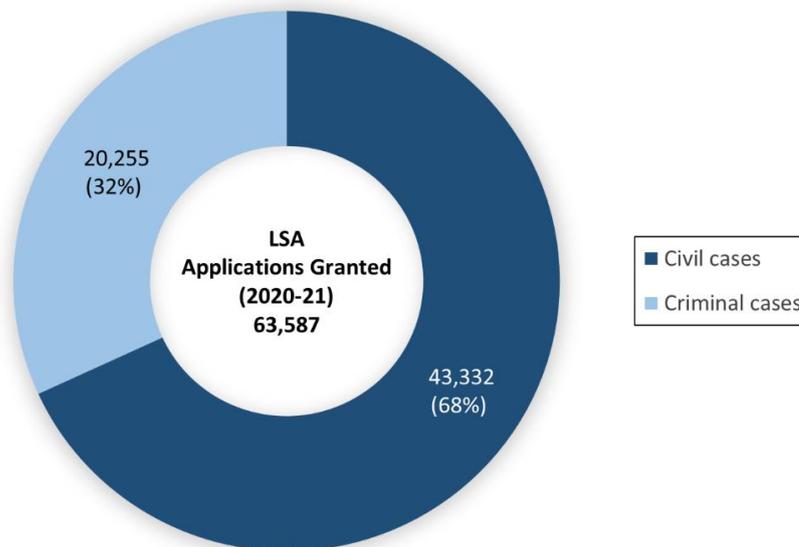
2021-22 Applications granted (cases)



Notes:

1. Percentages have been rounded for presentational purposes.
- Source: LAMS case management systems (Management Information).

2020-21 Applications granted (cases)



Notes:

1. 2020-21 Applications granted were greatly reduced due to the reduced activity in the NI Courts during the restrictions imposed in response to the Covid-19 pandemic.
 2. Percentages have been rounded for presentational purposes.
- Source: LAMS case management systems (Management Information).

Covid-19

During 2021-22 many staff in the Agency have continued to work from home in accordance with government guidance. A significant degree of recovery was seen in the courts and which continues particularly in terms of Crown Court. In 2020-21, the Agency established an Interim Payments Scheme in order to support the maintenance of a network of solicitors and barristers to assist individuals in seeking access to justice during the pandemic. The Scheme was open for a limited period of three months and during that time, total payments of £1.19m were made. Since the closure of the Scheme, the Agency has successfully recouped £0.79m of the interim payments made with £0.40m still to be recouped following the receipt of final payment requests in each case.

The table below illustrates 2021-22 spend deemed to be a direct result of Covid recovery:

	£000
Legal Aid Fund Payments	7,170
Salaries/Staff costs	597
IT related expenditure	20
Total expenditure	7,787

This was funded via a specific additional budget allocation in year.

EU Exit

The UK's withdrawal from the EU did not require specific preparations within the Agency as there were no policy or priority changes arising. The only ongoing impact on the Agency was the removal of a specific legislative provision that provided a financial waiver for civil cases where applicants resident outside Northern Ireland sought legal aid to enable them to engage in litigation before the courts in Northern Ireland.

Financial review

The Agency's financial statements for 2021-22 are compared to the two previous financial year in the table below:

Statement of Comprehensive Net Expenditure

	2021-22 £000	2020-21 £000	2019-20 £000
Total operating income	(1,071)	(2,500)	(1,852)
Staff costs	6,544	5,746	5,612
Purchase of goods and services	3,990	(2,586)	3,671
Depreciation and amortisation charges	1,317	1,312	914
Provision expense	99,609	80,253	99,462
Grants	-	10	21
Total operating expenditure	111,460	84,735	109,680
Net expenditure for the year	110,389	82,235	107,828

Staff costs can be analysed further as follows:

	2021-22 £000	2020-21 £000	2019-20 £000
Wages and salaries	4,859	4,239	4,193
Social security costs	435	388	373
Other pension costs	1,250	1,119	1,046
Staff costs	6,544	5,746	5,612

Financial position

The total net liabilities of the Agency at 31 March 2022 were £151.6m (2020-21: £145.3m).

Cash flow

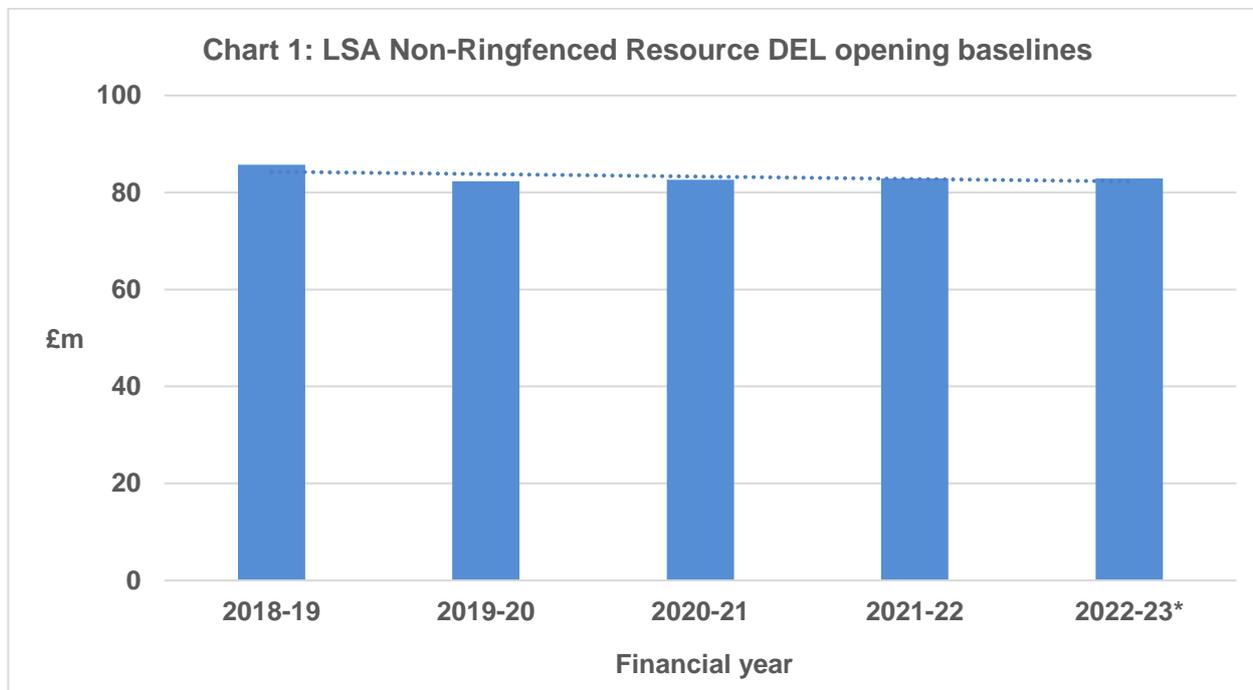
As detailed in the Statement of Cash Flows, the Agency's Net Assembly draw down in 2021-22 was £103.0m (2020-21: £82.4m) and the net decrease in cash and cash equivalents in the year was £0.04m (2020-21: a decrease of £0.47m).

Financial risk

The Agency relies on the Department of Justice for funding and the risk to this funding is low. The Agency accounts for all transactions in sterling and has no borrowings. As such, the Agency is not exposed to any exchange rate or liquidity risk.

Long-term expenditure trends

The chart below shows the movement in the Agency's opening baseline for non-ringfenced Resource Departmental Expenditure Limit (DEL) over the period 2018-19 to 2022-23. This budget pays for programme delivery and running costs excluding non-cash charges for depreciation and impairment of assets.



* LSA Contingency Planning Envelope for 2022-23

2021-22 financial year

On 1 April 2021 the Finance Minister set out the 2021-22 budget for Northern Ireland departments which has been agreed by the Executive.

The Department of Justice's non-ringfenced Resource DEL Budget was as follows:

- a flat cash allocation (2020-21 opening baseline);
- £31.2m of additional security funding for the PSNI;
- £10.7m of funding for EU Exit costs;
- £7.7m of Covid-19 allocation;
- £4.2m contribution towards Legacy costs; and
- £0.7m of Technical Adjustments.

In setting the 2021-22 budgets, the Legal Services Agency received a flat cash allocation.

Long-term expenditure trends (continued)

2022-23 financial year

Following the resignation of the First Minister and the subsequent lack of an Executive, a Budget for 2022-23 could not be finalised. The Finance Minister wrote to departments to set out a way forward in the absence of an Executive to agree a Budget. This process involved DoF issuing departments with contingency planning envelopes for the 2022-23 financial year. These envelopes provided departments with an assessment of the minimum funding they could reasonably expect for 2022-23 and allowed departments to plan for expenditure until such times as a Budget could be agreed.

It is important to note that the contingency planning envelope is not a replacement for an agreed Executive Budget. Rather it represents an understanding of funding for which there may be a reasonable degree of certainty will be reflected in a Budget position brought to a future Executive for consideration.

The Department of Justice's non-ringfenced Resource DEL Contingency Planning envelope is £1,130.7m, made up as follows:

- a flat cash allocation (2021-22 opening baseline);
- additional security funding for the PSNI of £31.2m; and
- funding for the Tackling Paramilitarism Programme of £13.0m (this is total programme funding to be distributed across various departments and is not solely for the use of DoJ - it is not included in the DoJ baseline).

The Contingency Planning Envelope for 2022-23 provides a flat cash allocation of £82.9m for Legal Services Agency.

Auditors

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland ("C&AG"), who heads the Northern Ireland Audit Office (NIAO) and is appointed by statute and reports to the Assembly. The C&AG and his staff are wholly independent of the Agency. The notional fee for the audit of the 2021-22 financial statements is £76,000 (2020-21: £73,000).

The C&AG may also undertake other statutory activities that are not related to the audit of the Agency's financial statements, such as Value for Money (VFM) reports. No VFM reports on the Agency were undertaken during 2021-22.

Payment to suppliers

The Agency's policy is to pay bills from all suppliers within 10 working days following receipt of a properly rendered invoice or in accordance with contractual conditions, whichever is the earlier. Payments of programme costs for publicly funded legal services are exempt from the Better Payment Practice Code and therefore not included in the statistics noted below.

During the financial year, the Agency achieved an average of 92.8% (2020-21: 93.5%) of invoices paid to suppliers within 10 working days following receipt of a properly rendered invoice. The Agency achieved an average of 98.2% (2020-21: 98.1%) of invoices paid to suppliers within 30 calendar days following receipt of a properly rendered invoice.

Health and safety

The Agency is committed to providing staff with an environment that is, as far as possible, safe and free from risk to health. In line with this commitment, the Agency complied with the relevant legislation during the period, undertaking regular risk assessments particularly in respect of Covid-19 precautions which are published on the intranet. The Trade Union Side (TUS) Health and Safety representative accompanied LSA on these risk assessments and an agreed position was taken. Quarterly and ad hoc health and safety meetings have been held between LSA and TUS over the year.

In response to the pandemic, a series of measures were implemented in LSA premises to promote staff safety. These include a one way system for entering and exiting, social distancing measures which limited the number of staff working from the office and the number and proximity of desks that could be used, use of face masks in public or confined areas, conducting meetings digitally, revised cleaning schedules and increased sanitation points. LSA has reviewed measures regularly in response to changes in circumstances and has shared safe working planning and risk assessments with staff and Trade Union colleagues.

The Agency's health and safety function is managed by the Business Support Unit and the arrangements in place enable the Agency to comply with its legal duties and responsibilities under the Health and Safety at Work Act 1974. Additional training has been provided during the year to extend the number of staff qualified to undertake risk assessments. Due to the reduced number of staff attending the office, the Agency has reviewed Fire Safety procedures and put in place training for additional Fire Wardens.

Environmental and sustainability initiatives

The Agency remains committed to securing products and services that are environmentally friendly and to the procurement of goods or services which comply with Article 6 of the Energy Efficiency Directive and can be recycled where possible. The Agency promotes the use of electronic correspondence where practicable and the implementation of LAMS has resulted in considerable savings and reductions in environmental impact through paper free legal aid applications.

All staff have access to multi-function devices (MFDs) which permit both electronic scanning of documents and double-sided printing for any physical copies that are currently required. The recycling of MFD toner cartridges provides an example of our ongoing commitment to sustainability initiatives, as does the fact that all redundant IT equipment is returned via IT Assist arrangements for appropriate decommissioning and recycling.

LSA continues to promote recycling within the workplace with separate containers provided to facilitate staff. The Agency uses the NICS recycled waste contractor for collection of all recyclable office waste including glass, paper, cardboard, plastics and metals. Posters throughout our premises encourage staff to switch off lights and equipment when not required.

The Agency's contracts over £30,000 continue to be managed centrally through Construction and Procurement Delivery within DoF. Sustainable development is factored into the establishment of all contracts.

Social and community issues

The Agency continues to develop its communications in support of the reform programme, which is focused on the needs of the public, suppliers of legal services and other key stakeholders.

Under this programme the Agency continues to work on the following areas:

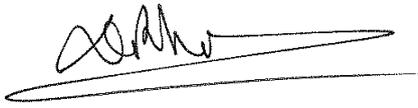
- practitioner familiarisation with LAMS;
- preparation of documentation to assist the understanding of the assisted person as to their obligations when accepting legal aid; and
- improved debt recovery arrangements.

In addition, the Agency supports a range of projects being taken forward by DoJ.

Human rights

Civil servants have a statutory duty to respect, protect and fulfil people's human rights when developing and delivering government policy and services. The Northern Ireland Human Rights Commission (NIHRC) interactive guide to Human Rights is available to staff in the Agency to ensure they have knowledge of human rights law and standards and the core principles through which human rights are realised. The training is designed to increase human rights knowledge and strengthen the culture of human rights awareness and good practice within the Agency.

PERFORMANCE REPORT

A handwritten signature in black ink, appearing to read 'Paul Andrews', is written over a horizontal line. The signature is stylized and cursive.

**Paul Andrews
Chief Executive and Accounting Officer
30 June 2022**

ACCOUNTABILITY REPORT

The Accountability section of the Annual Report outlines how the Agency meets its key accountability requirements to the Assembly and ensures best practice with corporate governance norms and codes. The three sub-sections within the Accountability Report are outlined below.

i - Corporate Governance Report

The purpose of this section is to explain the composition and organisation of the Agency's governance structures and how they support the achievement of its objectives.

The Corporate Governance Report includes:

- Directors' Report;
- Non-Executive Members' Report;
- Statement of Accounting Officer's Responsibilities; and
- Governance Statement.

ii - Remuneration and Staff Report

This section sets out the Agency's remuneration policy for directors, reports on how that policy has been implemented and sets out the amounts awarded to directors as salary and pension entitlements.

In addition the report provides information relating to remuneration and staff that the Assembly and other users see as key to accountability.

iii - Assembly Accountability and Audit Report

This section brings together the key Assembly accountability documents within the Annual Report and Accounts. It comprises:

- Assembly accountability disclosures; and
- Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

CORPORATE GOVERNANCE REPORT**DIRECTORS' REPORT****The Board**

The Agency Board (the Board) was formally constituted on 1 April 2015 and oversees the work of the Agency. Its role is to lead the Agency's strategic planning and assist the Chief Executive, who is also the Accounting Officer, in meeting corporate governance responsibilities for the Agency. The Board follows Corporate Governance best practice.

Membership of the Board during 2021-22 was as follows:

Position	Member
Chief Executive	Paul Andrews
Director of Operations	Mandy McKay
Director of Corporate Services	Kerry McGill (from 15 June 2021) Nuala McAuley (until 11 May 2021)
Non-Executive Member	Daphne Johnston (from 2 August 2021)
Non-Executive Member	Paul Mageean (from 2 August 2021)
Non-Executive Member	Allen McCartney (until 31 July 2021)
Non-Executive Member	Tom Burgess (until 31 July 2021)

The Board operates as a collegiate forum, under the leadership of the Chief Executive, to manage the running of the Agency. Policy on civil legal services and criminal legal aid is not determined by the Agency; however, the Board may discuss policy in the context of analysing options for operational management and delivery. In the policy area, the Board operates in an advisory and consultative capacity, offering guidance when required.

The Chief Executive of LSA is responsible for the day-to-day operation of the Agency and the leadership and management of its staff. The Chief Executive is also currently the holder of the statutory office of Director of Legal Aid Casework (the Director). The Director operates under legislation and Ministerial guidance and directions when determining whether applications for civil legal services should be funded. The Director is independent from any Ministerial or Departmental interference in relation to individual applications for civil legal services.

The Board (continued)

The role of Non-Executive Members (NEMs) includes:

- providing strategic advice to the Board, contributing to decision-making and supporting the good corporate governance of LSA;
- using their experience to challenge and support the Board, acting corporately;
- ensuring that the Board obtains and considers all appropriate information; and
- notifying the Board of any matters that threaten the regularity, propriety or value for money with which LSA carries out its business.

All Board members are required to adhere to the Nolan Seven Principles of Public Life.

The Board and Accounting Officer are supported in their roles by the Audit and Risk Committee. This is a Committee of the Board with no executive powers but supports the Board in its responsibilities for issues of risk control and governance by reviewing the comprehensiveness, reliability and integrity of the assurances provided to the Board and the Accounting Officer.

As an Agency of the DoJ, the Agency operates under a Corporate Framework. The Framework Document sets out the arrangements for the effective governance, financing and operation of LSA. A copy of the Framework Document can be found at [LSANI Framework Document - July 2021 \(justice-ni.gov.uk\)](https://www.justice-ni.gov.uk/lsani-framework-document-july-2021).

Board Members' interests

Details of company directorships, other significant interests or any potential conflicts of interest held by LSA Board Members are formally updated annually and reviewed at each Board Meeting. These are disclosed within the LSA Register of Interests which also covers staff and senior management and is formally updated annually in respect of them. Access to the Register of Interests may be gained by contacting enquiries@lsani.gov.uk. There were no disclosures necessary in respect of related party transactions between Board Members and the Agency as set out at Note 17 in the Accounts.

Information assurance

There were no incidents of loss of information assets or personal data during 2021-22 which required to be reported to the Information Commissioner's Office.

Whistleblowing

The Agency has a Whistleblowing policy in place, designed to reassure staff that it is safe and acceptable to speak up, when they have a concern about malpractice. The procedures provide arrangements so that such concerns can be addressed at an early stage and in a fair and proper way. The Head of Internal Audit (HIA) is involved in conducting independent investigations into issues raised under the policy. There have been no instances of whistleblowing during the year.

Complaints

The Complaints Policy and Procedures regarding the administration of civil and criminal legal aid are designed by the Agency to address complaints regarding the quality of service provided by its officials. Its aim is to enhance and improve the level of service provided to customers.

There were 14 complaints recorded by the Agency during 2021-22 (2020-21: 16).

Complaints can be made to:

Legal Services Agency Northern Ireland
2nd Floor
Waterfront Plaza
8 Laganbank Road
Mays Meadow
Belfast
BT1 3BN

Telephone: 028 9040 8888

E-mail: enquiries@lsani.gov.uk

The Agency thoroughly investigates every complaint it receives, using a three tier complaints procedure. The initial complaint gives the Agency the chance to review the way the matter was handled at a local level and put the situation right if possible. If an individual or provider is not content with the initial response, they can escalate their complaint to the Chief Executive's Office and a Director will review the complaint and initial response. If the complainant is still dissatisfied, they can request that the Chief Executive investigates the complaint and how it was handled. Once the three stages of the Agency's complaints procedure have been exhausted, the final recourse for the complainant is to refer the matter to the Office of the Northern Ireland Public Services Ombudsman under the Ombudsman (NI) Act 2016.

The Agency cannot investigate complaints about the representation received by recipients of legal aid. Complaints about the service or performance of solicitors and barristers must be referred to the appropriate professional body for investigation.

Fraud, anti-corruption and anti-bribery

The Agency is committed to the values of probity and accountability which foster a positive organisational culture. It is also committed to the elimination of any fraud within the Agency, to the rigorous investigation of any prima facie case, and, where fraud or other criminal acts are proven, to ensure that wrongdoers are dealt with appropriately. The Agency will take proportionate steps to recover any assets lost as a result of fraud, corruption or theft. The Agency has a zero tolerance approach towards acts of bribery and corruption by staff, associated persons and organisations.

Managing the risk of fraud and bribery is seen by the Agency in the context of managing a wider range of risks. The Agency promotes an anti-fraud and anti-bribery culture by encouraging management to create conditions in which staff members have neither the motivation nor the opportunity to commit fraud or either offer or accept bribes. Professional staff are the first line of defence against these issues, supported by the establishment and maintenance of carefully designed and consistently operated procedures. The introduction of LAMS is considered as reinforcing the audit trail around transactions so reducing the risk of fraud and bribery.

LSA recognises there is a need to maintain the awareness of staff at all levels to safeguard public resources against the risk of fraud and bribery and this forms part of the Agency culture and communications strategy.

The Agency continues to seek opportunities to enhance its procedures in the area of prevention, detection and response to fraud with an emphasis upon procedures, controls and accountability from all staff in LSA and has recently implemented further changes.

During the period 1 April 2021 to 31 March 2022, LSA received 338 referrals (2020-21: 231) which were the subject of an initial fraud investigation.

Of these referrals 51 of these persons were not in receipt of legal aid at the time of the initial investigation and were closed. The remaining 286 cases were subject to a full fraud investigation (2020/21:167) with 225 of these cases closed due to insufficient evidence to pursue a criminal investigation via the Police. The investigation into the remaining 61 cases is currently ongoing. 4 cases received prior to this reporting year remain under investigation which gives a current caseload of 65.

The increase of 107 cases from 2020-21 reflects a decrease of referrals over the Covid pandemic and the return of investigations by Benefit Security Division (Department for Communities) after the lifting of restrictions.

Fraud, anti-corruption and anti-bribery (continued)

The categories under each heading in the tables below relate to the failure to fully declare the appropriate information or misrepresentation and relate to either the applicant or practitioner. The total referrals were as follows:

<u>Number of cases received</u>	Earnings	Capital	Co-habiting	Property	False Statement	Supplier	Other	Total
2021-22	175	53	28	12	18	33	19	338
2020-21	105	35	25	7	28	26	5	231
2019-20	223	48	23	4	35	27	4	364

Of the 65 cases outstanding at 31 March 2022, these are being investigated for evidence of criminality and are categorised as:

<u>Number of cases outstanding</u>	Earnings	Capital	Co-habiting	Property	False Statement	Supplier	Other	Total
At 31 March 2022	28	10	1	1	5	11	9	65
At 31 March 2021	23	15	1	1	11	8	5	64
At 31 March 2020	3	15	-	1	4	2	1	26

NON-EXECUTIVE MEMBERS' REPORT

Overview

2021-22 has been another challenging year for delivery for LSA. We took up post as Non-Executive Board Members for the Agency in the Summer 2021. Thankfully, Covid restrictions had eased considerably and we were able to meet with the Board members in person and participate in a comprehensive Induction which helped set the context and highlight the challenges ahead.

At this point, staff are encouraged to work from home when they can in line with Executive messaging and maintain 2 metre social distancing while in the workplace. However it is clear to us that the Agency has adapted to the new arrangements and despite reduced numbers of staff on site, business continues as usual. Once the Hybrid Working Policy is implemented next year, we are confident that the Agency will continue to adapt and improve how the service is delivered regardless of whether staff are located at home or in the office.

We have seen first-hand the pressure caused by the many vacancies within the Agency and been impressed with the ability of the Agency to adapt to staffing pressures and put in place contingency measures, in the form of temporary promotions and use of recruitment agency staff, in order to continue to deliver against very challenging targets. It remains an ongoing challenge to recruit, train and retain permanent staff and some priority vacancies remain. We are concerned if this is prolonged, it will impact negatively on the performance of the Agency.

Our role is to provide constructive but robust challenge to the Senior Management Team (SMT) within the Agency and to support that team in driving forward necessary changes. As Non-Executive Members of the Agency Board, we have had full oversight and input to the work of the LSA, the business planning process and risk analysis for 2022-23. Learning and development of staff is a key focus in 2022-23 which we are fully supportive of.

Despite the disruption brought about by Covid and the staff resourcing difficulties, the Agency has performed well against the very challenging targets set. We recognise that the political uncertainty ahead and the lack of clarity on the opening budget may impact performance with the potential to impact on those whom legal aid is designed to protect, and whose representation should be funded by the public purse. We recognise the impact this has on wider reform initiatives and the Agency's ability to plan strategically is limited when not in receipt of a sustainable budget.

The qualifications to the accounts in respect of fraud and error and provisions, were a matter of Board scrutiny throughout the year. The action plan in place to tackle fraud and error is comprehensive and we are encouraged by the progress already made in this area. The level of official error continues to reduce as a result of robust quality assurance and training. Significant progress has been made with Applicant testing and measurement commencing this year along with a Practitioner Pilot to plan for official measurement in January 2023.

NON-EXECUTIVE MEMBERS' REPORT (CONTINUED)

The Board also closely monitored the work undertaken to address the provisions qualification. The establishment of and dedicated work of the Data Management Project reviewing aged and inactive cases in conjunction with the legal profession is a significant step to removing this qualification in the near future.

We have also supported the Director of Legal Aid Casework by ensuring that legal aid decisions remain independent and free from any inappropriate influence.

Agency Board

The Agency Board met four times since we took up our positions with full attendance from all members.

During 2021-22, it is significant to note that over 67,000 applications were granted with an outturn position of more than £95m in payments achieved despite the staffing challenges. The additional budget secured in year of £19m was required to meet demand and support Covid recovery.

The Agency continues to work with policy colleagues in the wider Department to bring forward the reforms necessary to deliver some important improvement outcomes. We thank the Management Team for their support in helping us settle into our roles and look forward to the challenges ahead.

Audit and Risk Committee

The Audit and Risk Committee (ARC) consists of the two Non-Executive Members and an Inter-Departmental Finance Representative, Peter Toogood (a Senior Civil Servant in the Department of Health) It met on four occasions this year and received ongoing reports from internal and external audit colleagues, counter fraud activity updates and finance reports. The Agency's Risk Register which was presented at each Committee, particularly in the context of the changing transformation environment.

ARC continued to monitor progress against the qualifications to the accounts. The revised methodology for provisions now addresses many of the concerns of the NIAO. The outworkings of the data management project during 2021-22 are anticipated to contribute further to the resolution of the issue. The ARC will continue to liaise with the NIAO on the matter.

The Non-Executive Members attended Public Accountability and Governance training during the year.

Conclusion

We would like to congratulate the management and all of the staff in the Agency for their efforts over this past year. In spite of the huge challenges brought about by the large number of staff vacancies and the ongoing Covid situation they have demonstrated remarkable resilience, adapted well and maintained a high level of service. The Senior Management Team are fully committed to the continuing journey to drive further improvement across the Agency and we look forward to supporting them with this.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance (DoF) has directed the Agency to prepare for each financial year a statement of Accounts in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Agency and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Accounting Officer for the DoJ has designated the Chief Executive as Accounting Officer of LSA. The responsibilities of an Accounting Officer including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Agency's assets, are set out in the Accounting Officer's Memorandum issued by DoF and published in Managing Public Money Northern Ireland.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Agency's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

GOVERNANCE STATEMENT

1. Scope of responsibility

The Agency operates under the auspices of the DoJ. The relationship between the Agency and the DoJ is governed by a Framework Document. The Agency is responsible for applying statutory tests to determine whether an individual should receive civil legal services, assessing the appropriate remuneration and making the payment for the relevant legal services provided in a timely manner. While the judiciary is responsible for the grant of criminal legal aid, the Agency pays for the legal services provided. In addition to administering publicly funded legal services, the Agency supports the DoJ in its work to reform civil and criminal legal aid as part of the Enabling Access to Justice Reform Programme. The scope of the work undertaken by the Agency and the objectives set for each business area are contained in the annual Business Plan for LSA which is approved by the DoJ.

The Board of the Agency has a corporate responsibility for ensuring that the Agency fulfils the aims and objectives set by the DoJ and for ensuring the efficient and effective use of resources by the organisation.

2. Purpose of the governance framework

The Agency relies on its governance framework to enable it to exercise operational and strategic control over the operations of the organisation and to ensure that resources are effectively directed to deliver business objectives. It also provides a range of assurances that appropriate internal controls are in place and working effectively.

The Board considers it has complied with all the key principles of the Corporate Governance Code in terms of its composition, leadership remit, accountability and risk management. The Board operates a Risk Management Policy and ensures that risks are clearly identified and managed in line with the DoJ's agreed risk appetite. A Register of Interests is maintained for Board members and the agenda for each Board and Audit and Risk Committee meeting commences with a formal declaration (and record) that attendees have no conflicts of interest. Good practice is complied with, as representatives from the Department are invited as observers to attend all Board and Audit and Risk Committee meetings. This arrangement ensures that both parties continue to be well informed as to the wide range of matters that may impact on achievement of business objectives.

3. Governance framework

The key organisational structures which support the delivery of effective corporate governance in the Agency are the:

- LSA Board; and
- LSA Audit and Risk Committee.

There have been changes to membership of these structures this year however the systems have been in place for the 2021-22 year and up to the date of approval of the annual report and accounts.

3. Governance framework (continued)

The Board

The Board provides a vital role in shaping and directing the organisation to ensure it is equipped to provide high quality cost-effective services. The Board is responsible for business and corporate planning and reporting and oversight of the functions of LSA promoting the efficient, economic and effective use of staff and other resources.

The Board operates within the parameters of the Agency Framework Document and the agreed Terms of Reference. The Board ensures the Agency fulfils its aims and objectives and supports those set by the DoJ.

The emphasis for the Board in this period has been:

- establishing the strategic direction of the Agency within the policy and resources framework determined by DoJ;
- constructively challenging the Agency's Senior Management Team in their business planning, target setting and delivery of performance against agreed targets;
- identifying the corporate risks that may impact on the delivery of the Agency's objectives and refocusing existing risks in light of changing circumstances;
- ensuring that the statutory requirements for the use of public funds are complied with; and
- ensuring that the Board have scope and range of information required to drive evidence based decision making and support the Accounting Officer and Senior Management Team in the management of the Agency.

Attendance by members is shown below for the seven meetings of the Agency Board during 2021-22:

Position	Member	Attendance
Chief Executive	Paul Andrews	7/7
Director of Operations	Mandy McKay	6/7
Director of Corporate Services	Kerry McGill (from 15 June 2021) Nuala McAuley (until 11 May 2021)	5/5 1/1
Non-Executive Member	Daphne Johnston (from 2 August 2021)	4/4
Non-Executive Member	Paul Mageean (from 2 August 2021)	4/4
Non-Executive Member	Allen McCartney (until 31 July 2021)	3/3
Non-Executive Member	Tom Burgess (until 31 July 2021)	3/3

3. Governance framework (continued)

The Audit and Risk Committee

The Audit and Risk Committee is responsible for supporting the Board and Accounting Officer by reviewing the comprehensiveness of assurances and assessing the reliability and integrity of these assurances.

It fulfils this responsibility by ensuring that appropriate arrangements are in place to provide the necessary assurances in terms of financial management, risk management, counter-fraud, and the work of the internal and external auditors.

Key work of the Audit and Risk Committee included:

- review of the annual financial statements and the Governance Statement, including the work and reporting of the external auditors;
- counter-fraud strategy and reporting;
- corporate risk management;
- internal audit planning and strategy, including review of plans for the in-coming year and current year audit reports and the annual assurance report;
- oversight of actions to address identified weaknesses and key risks; and
- review of public sector guidance issued by DoF, Public Accounts Committee reports and any relevant good practice initiatives.

Attendance by members is shown below for the four meetings of the Audit and Risk Committee held during 2021-22:

Position	Member	Attendance
Non-Executive Member (Chair)	Daphne Johnston (from 2 August 2021)	2/2
Non-Executive Member	Paul Mageean (from 2 August 2021)	2/2
Non-Executive Member (Chair)	Allen McCartney (until 31 July 2021)	2/2
Non-Executive Member	Tom Burgess (until 31 July 2021)	2/2
Independent Member	Peter Toogood - Senior Civil Servant in Department of Health	3/4

The following were generally in attendance at all Audit and Risk Committee meetings: Chief Executive, Director Corporate Services, Business Support Unit Manager, Head of DoJ Internal Audit and representatives from NIAO and DoJ FSD.

4. Risk management and internal control

The Agency has a well embedded and robust risk management framework in place, with direct involvement of senior managers and staff. Oversight of this is the responsibility of the Audit and Risk Committee. The Agency's arrangements for effective risk management were reviewed in-year in light of the update to HM Government's Orange Book on Risk Management and include:

- a risk management strategy which is directly aligned with that of the Department;
- an agreed risk appetite in line with the DoJ's policy;
- Directorate and Corporate Risk Registers to identify and escalate the risks threatening to impact upon the achievement of the Agency's objectives;
- Board review of corporate risks as a standing agenda item;
- Audit and Risk Committee agenda focusing specifically on risk management;
- structures in place to assess and report on information risk; and
- Stewardship Statements from managers, providing formal assurance on their management of risk for their respective business areas.

The Agency's system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Agency's policies, aims and objectives, to evaluate the likelihood of those risks being realised and to limit any impacts should they materialise. It is designed to manage risk within the parameters of the Agency's risk appetite, rather than attempting to eliminate all the risk of failure to achieve policies, aims and objectives. The system of internal control includes:

- the establishment and operation of an effective management structure;
- the establishment and operation of a Board and Committee structure including an Audit and Risk Committee;
- a system of risk assessment and risk management;
- key management controls, including monitoring, supervision and segregation of duties;
- a scheme of delegation which delegates decision-making within set parameters;
- adherence to external legislation, government policies, directions or guidance;
- adherence to accountability reporting to the DoJ, including Stewardship reporting and information security returns;
- adherence to internal policies, standing orders, documented business procedures and processes;
- a bespoke system to support business processes and provide relevant management information;
- the provision of an internal audit service to support management and provide independent assurance;
- a dedicated counter-fraud team; and
- comprehensive and accessible Departmental whistleblowing arrangements.

5. Review of effectiveness of the governance framework

The Board and Audit and Risk Committee continually review the range, format, frequency and detailed content of the reports and assurances provided to each meeting. This process ensures that requirements are met in terms of providing timely and effective information to the relevant meeting to allow members to fulfil their governance responsibilities. The Audit and Risk Committee provides the Board with a comprehensive annual report, setting out the work of the Committee and appropriate assurances for the relevant financial year. The Agency was not subject to any Ministerial directions during the reporting period.

Internal Audit reporting

Internal Audit services for LSA are provided by DoF's Group Internal Audit and Fraud Investigation Service. Internal Audit staff from DoF are assigned to deliver services to the DoJ Core Department and its agencies. Internal audit services represent an independent and objective appraisal of the Agency's governance, risk management and internal control system. The Internal Audit opinion is based on internal audit activity carried out during 2021-22 and cumulative assurances derived from internal audit activity during the previous two years.

The overall internal audit opinion for 2021-22 concluded that the arrangements within LSA are satisfactory.

There were seven internal audits conducted during the period as below, all of which had a satisfactory opinion. There were no recommendations raised at Priority 1, i.e. of such seriousness that failure to implement the recommendation would be likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

Area	Opinion 2021-22
Criminal and Civil Legal Aid - Work of SAU in Relation to Official Errors in Payments	Satisfactory
Cyber Security	Satisfactory
Provisions 2021-22	Satisfactory
Forecasting 2021-22	Satisfactory
Business Case Regularity of Spend	Satisfactory
Financial Eligibility Including Work of SAU	Satisfactory
Counter Fraud Action Plan	Satisfactory

Outstanding Internal Audit recommendations are closely monitored by the Agency and the satisfactory resolution of recommendations is agreed with the Group HIA to allow them to be formally closed.

A one year plan has been developed for LSA for 2022-23 which was endorsed by the Audit and Risk Committee on 7 February 2022.

6. Significant internal control issues

Northern Ireland Audit Office - account qualifications

The C&AG qualified the 2021-22 financial statements of LSA in respect of:

- the level of estimated official and applicant error in legal aid payments and a limitation in scope on the regularity of legal aid payments in the period - due to the Agency being unable to provide sufficient evidence to assure NIAO that material fraud and error by legal aid claimants and legal practitioners did not exist within eligibility assessments of legal aid applicants and in expenditure from legal aid funds; and
- a limitation in scope regarding the true and fair view of the balance of provisions for legal aid liabilities in the financial statements - LSA was unable to provide sufficient evidence to support management information used to determine a number of key assumptions and judgements it used to estimate the full provision and the resulting adjustments required to the annual legal aid expenditure.

LSA has continued with a work programme to address these qualifications and has been taking this forward in conjunction with both DoJ and DfC. A number of the changes required will continue to span a period of financial years.

Regularity of expenditure

Official error

A MoU was established, from April 2017, with the SAU within DfC, to measure official error rates. 2019 represents the first full year of testing under the agreed methodology, however during 2020 taxed cases (and expenditure) was removed upon receipt of legal advice. Thus, 2019 is not comparable with subsequent years and 2020 will act as a benchmark for future years. The outcomes for 2019 to 2021 calendar years are set out below:

6. Significant internal control issues (continued)

Official error (continued)

<u>2021</u>	Estimated Monetary Value of Error (MVE)	Lower Confidence Interval (LCI)	Upper Confidence Interval (UCI)
Total error	£1,924,466	£1,362,282	£2,486,649
Overpayments	£1,009,285	£502,270	£1,516,299
Underpayments	£915,181	£645,234	£1,185,128
Total excluding deemed errors	£1,692,157	£1,144,102	£2,240,212

<u>2020</u>	Estimated Monetary Value of Error (MVE)	Lower Confidence Interval (LCI)	Upper Confidence Interval (UCI)
Total error	£5,573,318	£2,067,580	£9,079,055
Overpayments	£4,356,128	£917,643	£7,794,614
Underpayments	£1,217,189	£459,342	£1,975,037
Total excluding deemed errors	£3,999,730	£2,458,145	£5,541,316

<u>2019</u>	Estimated Monetary Value of Error (MVE)	Lower Confidence Interval (LCI)	Upper Confidence Interval (UCI)
Total error	£8,296,498	£6,575,225	£10,017,771
Overpayments	£6,196,971	£4,513,359	£7,880,583
Underpayments	£2,099,527	£1,576,881	£2,622,173
Total excluding deemed errors	£5,761,904	£4,256,774	£7,267,035

For 2021, a sample of 911 cases (2020: 695) was independently assessed by the SAU and the amount of legal aid estimated to have been paid incorrectly due to official error was projected at £1,924,466 (4.3%) over the review period (2020: £5,573,318 (14.9%)). Looking at the confidence intervals, the true amount paid incorrectly is likely to lie within the range £1,362,282 to £2,486,649 (3.0% to 5.5%) (2020: £2,067,580 to £9,079,055 (5.5% to 24.3%)).

The overall amount estimated to have been paid incorrectly due to official error is £1,924,466 (4.3%) (2020: £5,573,318 (14.9%)); this is the combination of the estimated value of overpayments, £1,009,285 (2.2%) (2020: £4,356,128 (11.7%)) and that of underpayments, £915,181 (2.0%) (2020: £1,217,189 (3.3%)). While the Agency accepts that all error is equally valid these extrapolated figures represent over and underpayments and hence are compensatory. The net overpayment estimated due to official error is therefore £94,104 (2020: £3,138,939).

6. Significant internal control issues (continued)

Official error (continued)

The results are split into actual and deemed errors. Deemed errors are defined as instances where monitoring officers required further information to complete their review and where that information was not provided by the year end reporting date. Excluding deemed errors, the amount of legal aid estimated to be paid incorrectly due to official error reduces to £1,692,157 (3.7%) (£1,144,102 to £2,240,212) over the review period (2020: £3,999,730 (10.7%) (£2,458,145 to £5,541,316)).

In those cases in which the monitoring officers identified an actual underpayment or overpayment, the Agency has a process to adjust the fees and make recoupments to address the incorrect errors. Underpayments due to the practitioner will be notified and an additional payment made under the case. Recoupments from the practitioner are likewise tracked against the case and will be offset within LAMS from future payments due to the same supplier under other cases. No recoupment is made of deemed errors as the accuracy or otherwise of the payment cannot be proved due to the lack of information. All underpayments and recoupments are processed in keeping with the Agency's policy covering Error Corrections.

LSA has appointed a dedicated team to deal with the work arising from the error work programme. They respond to deemed errors by providing information requested, analysing the source of the errors, identifying underlying issues and recommending remedial action to address. This may take the form of operational change whether through the ongoing revision to desk instructions, clarification of the interpretation of legislation or improved interface with other criminal justice organisations.

Applicant fraud and error

The methodology for addressing applicant fraud and error, through home visits to Assisted Persons, was first implemented during 2019-20. However this work had to cease due to the Covid-19 restrictions and recommenced for samples drawn from January 2021, delivered on a remote basis. The major difference with applicant testing, compared with official error testing, is contained within the cases that are eligible for testing. As applicant testing focuses on the financial eligibility of applicants, the majority of legal aid cases (and expenditure) were ruled out-of-scope. Primarily, this covered civil cases where a financial eligibility test was not undertaken (including cases where the applicant was a minor and those applicants on a passport benefit for the duration of their case) and all criminal cases where LSANI is not responsible for determining the financial eligibility of individuals. This should be considered when interpreting the percentages quoted below.

For 2021, a sample of 500 cases was independently assessed by the SAU and the amount of legal aid estimated to have been paid incorrectly due to applicant fraud and error was projected at £1,321,698 (32.1%) over the review period. Looking at the confidence intervals, the true amount paid incorrectly is likely to lie within the range £809,533 to £1,833,863 (19.6% to 44.5%).

6. Significant internal control issues (continued)

Applicant fraud and error (continued)

Over half of the fraud and error identified was due to non-compliance of applicants who were not compelled to take part in the review by SAU. When non-compliance is excluded, the amount of legal aid estimated to have been paid incorrectly reduces to £569,069 (13.8%) over the review period. Looking at the confidence intervals, the true amount paid incorrectly (excluding non-compliance) is likely to lie within the range £93,400 to £1,044,739 (2.3% to 25.3%).

<u>2021</u>	Estimated Monetary Value of Error (MVE)	Lower Confidence Interval (LCI)	Upper Confidence Interval (UCI)
Total applicant fraud and error	£1,321,698	£809,533	£1,833,863
Excluding non-compliance	£569,069	£93,400	£1,044,739

While testing for applicant fraud and error once a case is closed mirrors the approach taken in official error testing and provides the best opportunity to get a true picture of continued financial eligibility, it also means the Agency has no power to compel applicant compliance.

In turn, while the methodology applied in 2021 has provided an estimate of applicant fraud and error, the Agency is limited in the action it can take to reduce this rate, due to Assisted Persons not having to co-operate or provide information to the Agency once a case has closed.

For this reason, in May 2022, SAU commenced testing of live cases to review ongoing financial eligibility of individuals who remain in receipt of civil legal aid, mitigating against non-compliance issues. This work is termed Future Overpayment Prevention (FOP) and will not only allow the level of fraud and error to be established and monitored, but will also allow actions to be put in place to reduce it.

The Agency is also designing and introducing intermittent checks in ongoing cases to prove continuing financial eligibility.

Considerable work has been undertaken in year to develop more extensive access for the Agency to HMRC and DfC tax and benefit information which will improve financial eligibility assessment and drive down error. While some progress has been made this has highlighted the need for legal gateways to enable usage and discussion is ongoing as to the means to develop a legislative vehicle to take this forward.

The Agency ran a pilot on practitioner error and fraud calling in a number of practitioner files and undertaking a verification review in relation to the means, merits and payment. The lessons from the pilot will inform ongoing reviews of practitioner error in 2022. SAU will commence independent measurement of practitioner error and fraud in 2023.

6. Significant internal control issues (continued)

Provisions

The Agency continues to work with FSD to improve the techniques and methodology used when estimating outstanding liabilities for publicly funded legal services provided by legal practitioners. The introduction of LAMS and associated auto-closure functionality has greatly enhanced the ability of the Agency to identify the relevant cases and calculate robust average costs. The Qlik reporting tools provides underlying reporting from the system so eliminating much of the intensive manual work previously conducted.

The LAMS based methodology has continued to be refined during 2021-22. A body of work has been conducted during 2021-22 to address inactive migrated cases and further work is planned for 2022-23 including introducing a systemic review of inactive cases with the principle aim being to fully address and remove this part of the qualification.

Reports by the Northern Ireland Audit Office and Public Accounts Committee

The C&AG issued his Value for Money (VFM) report on Managing Legal Aid on 21 June 2016 and the Public Accounts Committee (PAC) held an evidence session on 29 June 2016. Subsequently the PAC published its report on Managing Legal Aid on 11 January 2017.

The Agency continues to update the PAC in writing on a six monthly basis with a progress update against recommendations.

Following the LSA Chief Executive and Director of Operations attendance at the Justice Committee in March 2021 the Committee received copies of the following reports in July:

- the Final Business Consultancy Service Report on a “Review of Processes, Governance and Structures in the Legal Services Agency”; and
- the NISRA Report for 2020 on “Official Error in Legal Aid Payments”.

Written updates were provided to the Justice Committee in September 2021 and March 2022 on the Agency’s work programme and significant progress to address the NIAO qualifications.

7. Budget position and authority

The Assembly passed the Budget Act (Northern Ireland) 2022 in March 2022 which authorised the cash and use of resources for all departments for the 2021-22 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2022 also included a Vote on Account which authorised departments' access to cash and use of resources for the early months of the 2022-23 financial year. The cash and resource balance to complete for the remainder of 2022-23 will be authorised by the 2022-23 Main Estimates and the associated Budget Bill based on an agreed 2022-23 Budget. In the event that this is delayed, then the powers available to the Permanent Secretary of the Department of Finance under Section 59 of the Northern Ireland Act 1998 and Section 7 of the Government Resources and Accounts Act (Northern Ireland) 2001 will be used to authorise the cash, and the use of resources during the intervening period.

8. Accounting Officer statement of assurance

In providing my statement of assurance I am informed by a range of sources, including the work of the Standards Assurance Unit, the Northern Ireland Courts and Tribunals Service, the Agency's risk management framework, stewardship arrangements and reports from the internal and external auditors. Assurance is provided by DoF internal auditors in terms of the corporate shared services provided by each respective department to LSA. Further assurances include the Annual Internal Audit Assurance Report and Opinion for 2021-22, which provides a satisfactory assurance rating in relation to internal control, risk management and corporate governance for the period.

I acknowledge the ongoing weaknesses identified, particularly the account qualifications, but also note the significant steps taken during the period to address the issues highlighted. I consider that the overall system of internal control, governance and risk management, which are within the parameters of my control, are such as to provide satisfactory assurance to me in relation to the ability of the Agency to effectively discharge its governance responsibilities.

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

Remuneration policy

The pay remit for the Northern Ireland (NI) public sector, including senior civil servants (SCS) in the NICS, is approved by the Minister of Finance. The Minister set the 2021-22 NI public sector pay policy (March 2021).

Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay awards for NICS staff, including SCS, for 2020-21 were paid in June and July 2021. The pay awards for 2021-22 were paid in September and October 2021.

The pay of NICS staff is based on a system of pay scales for each grade, including SCS, containing a number of pay points from minimum to maximum, allowing progression towards the maximum based on performance.

Service contracts

The Civil Service Commissioners (NI) Order 1999 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Code published by the Civil Service Commissioners for Northern Ireland specifies the circumstances when appointments may be made otherwise.

Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in consideration of the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners for Northern Ireland can be found at www.nicscommissioners.org.

The DoJ launched a recruitment competition for Non-Executive Members (NEMs) in April 2021. Both Allen McCartney and Tom Burgess agreed to extend their agreement with the Agency until 31 July 2021 to permit replacements to be identified.

Following an open competition, two NEMs, Daphne Johnston and Paul Mageean, were appointed by the DoJ on 2 August 2021 for an initial period of three years, with the option to extend the appointments for an additional three years by mutual consent.

Remuneration (including salary) and pension entitlements

The following section provides details of the remuneration and pension interests of the most senior management of the Agency.

[Audited information]

Single total figure of remuneration

Officials and NEMs	Salary	Benefits in kind (to nearest £100) £000	*Pension Benefits (to nearest £1,000) £000	2021-22
				Total
				£000
Paul Andrews Chief Executive	85-90	-	33	115-120
Mandy McKay Director of Operations	60-65	-	44	105-110
Kerry McGill Director of Corporate Services (from 15 June 2021)	50-55 (FYE 60-65)	-	20	70-75
Nuala McAuley Director of Corporate Services (until 11 May 2021)	10-15 (FYE 65-70)	-	5	15-20
Daphne Johnston Non-Executive Member (from 2 August 2021)	5-10	0.66	-	5-10
Paul Mageean Non-Executive Member (from 2 August 2021)	5-10	-	-	5-10
Allen McCartney Non-Executive Member (until 31 July 2021)	0-5	0.04	-	0-5
Tom Burgess Non-Executive Member (until 31 July 2021)	0-5	-	-	0-5

FYE = full-year equivalent

**The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.*

Remuneration and pension entitlements (continued)*[Audited information]***Single total figure of remuneration**

Officials and NEMs	Salary	Benefits in kind (to nearest £100) £000	*Pension Benefits (to nearest £1,000) £000	2020-21
				Total
				£000
Paul Andrews Chief Executive	80-85	-	33	115-120
Mandy McKay Director of Operations	60-65	-	23	80-85
Nuala McAuley Director of Corporate Services	65-70	-	48	110-115
Allen McCartney Non-Executive Member	5-10	0.1	-	5-10
Tom Burgess Non-Executive Member	5-10	-	-	5-10

**The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.*

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any ex gratia payments. This report is based on accrued payments made by the Agency and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Agency and treated by HMRC as a taxable emolument. The benefits in kind shown above are in respect of expenses incurred on LSA business including approved mileage claims, parking, taxis, flights, trains and accommodation. In line with revised guidance from HMRC for Non-Executive Members (NEMs) with effect from 1 April 2019, expenditure on benefits in kind has been grossed up for individual NEMs and PAYE/NIC rules applied in line with normal payroll procedures.

Fair pay disclosures

Pay ratios

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

[Audited information]

The banded remuneration of the highest-paid director in the Agency in the financial year 2021-22 was £80,000 - £85,000 (2020-21, £80,000 - £85,000). This range differs from the banded salary disclosed under 'Remuneration and pension entitlements' due to salary arrears paid during 2021-22.

The relationship between the mid-point of this band and the remuneration of the organisation's workforce is disclosed below.

<u>2021-22</u>	25th percentile	Median	75th percentile
Total remuneration (£)	23,955	26,435	32,893
Pay ratio	3.4:1	3.1:1	2.5:1

<u>2020-21</u>	25th percentile	Median	75th percentile
Total remuneration (£)	23,483	26,051	32,800
Pay ratio	3.5:1	3.2:1	2.5:1

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

For 2021-22, the 25th percentile, median and 75th percentile remuneration values consisted solely of salary payments.

In 2021-22, no employees received remuneration in excess of the highest paid director.

Remuneration in 2021-22 ranged from £22,000 to £80-85,000 (2020-2021: £19,000 (restated) to £80-85,000).

Percentage change in remuneration

Reporting bodies are also required to disclose the percentage change from the previous financial year in the:

- a) salary and allowances, and
- b) performance pay and bonuses

of the highest paid director and of their employees as a whole.

The percentage changes in respect of the Agency are shown in the following table. It should be noted that the calculation for the highest paid director is based on the mid-point of the band within which their remuneration fell in each year.

Percentage change for:	2021-22 v 2020-21
Average employee salary and allowances	3.7%
Highest paid director's salary and allowances*	0%
Average employee performance pay and bonuses**	(100%)

*The calculation for the highest paid director is based on the mid-point of the band within which their remuneration fell in each year.

**The Northern Ireland Civil Service special bonus scheme was withdrawn with effect from 31 March 2021

Pension entitlements

[Audited information]

Officials	Accrued pension at pension age as at 31/3/22 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at *31/3/22 £000	CETV at **31/3/21 £000	Real increase in CETV £000	Employer contribution to partnership pension account (Nearest £100)
Paul Andrews*** Chief Executive	40-45 plus 70-75 lump sum	0-2.5 plus nil lump sum	692	660	21	-
Mandy McKay Director of Operations	30-35 plus 65-70 lump sum	0-2.5 plus 0-2.5 lump sum	631	566	32	-
Kerry McGill Director of Corporate Services (from 15 June 2021)	10-15	0-2.5	92	79	7	-
Nuala McAuley Director of Corporate Services (until 11 May 2021)	25-30	0-2.5	433	431	3	-

*Or earlier on leaving

**Or later on joining

***The pension benefits disclosed above for Mr. Paul Andrews include current benefits accrued in the Principal Civil Service Pension Scheme (NI) plus accrued benefits in the Principal Civil Service Pension Scheme (GB) and in the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Schemes arising from previous employment in the NI Courts & Tribunals Service and in the NI Legal Services Commission, respectively.

No pension benefits are provided to the Non-Executive Members.

Northern Ireland Civil Service (NICS) pension schemes

Pension benefits are provided through the NICS pension schemes which are administered by Civil Service Pensions (CSP).

The alpha pension scheme was initially introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of members of the Classic, Premium, Classic Plus and Nuvos pension arrangements (collectively known as the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]) also moved to alpha from that date. At that time, members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha (full protection) and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age (tapered protection).

In 2018, the Court of Appeal found that the protections put in place back in 2015 that allowed older workers to remain in their original scheme, were discriminatory on the basis of age. As a result, the discrimination identified by the Courts in the way that the 2015 pension reforms were introduced must be removed by the Department of Finance. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period. The different pension benefits relate to the alternative schemes e.g. legacy PCSPS(NI) 'Classic', 'Premium' or 'Nuvos' (legacy scheme) or Alpha. Scheme regulations made in March 2022, closed the PCSPS(NI) to future accrual from 31 March 2022, and all remaining active PCSPS(NI) members (including partially retired members in active service) moved to 'alpha' from 1 April 2022. This completes Phase One to remedy the discrimination identified by the Courts. Any pension benefits built up in the legacy scheme prior to this date are unaffected and PCSPS(NI) benefits remain payable in accordance with the relevant scheme rules. Phase Two will see the implementation of the Deferred Choice Underpin. That is, giving eligible members a choice between legacy scheme and alpha scheme benefits for service between 1 April 2015 and 31 March 2022. At this stage, allowance has not yet been made within CETVs for this remedy. Further information on the remedy will be included in the NICS pension scheme accounts which are available at <https://www.finance-ni.gov.uk/publications/dof-resource-accounts>.

Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current accrual rate is 2.32%.

Currently, new entrants joining can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

New entrants who joined on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a Partnership Pension Account. Nuvos was also a CARE arrangement in which members accrued pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate of accrual was 2.3%.

Northern Ireland Civil Service (NICS) pension schemes (continued)

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' legacy defined benefit arrangements (Classic, Premium and Classic Plus). From April 2011, pensions payable under these arrangements have been reviewed annually in line with changes in the cost of living. New entrants who joined on or after 1 October 2002 and before 30 July 2007 will have chosen between membership of premium or joining the Partnership Pension Account.

Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic Plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Active members of the pension scheme will receive an Annual Benefit Statement. The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. The Scheme Pension age is 60 for any pension accrued in the legacy Classic, Premium, and Classic Plus arrangements and 65 for any benefits accrued in Nuvos. Further details about the NICS pension schemes can be found at the website www.finance-ni.gov.uk/civilservicepensions-ni.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2021 was 3.1% and HM Treasury has announced that public service pensions will be increased accordingly from April 2022.

Northern Ireland Civil Service (NICS) pension schemes (continued)

Employee contribution rates for all members for the period covering 1 April 2022 to 31 March 2023 are as follows:

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - all members
From	To	
£0	£24,449.99	4.60%
£24,450.00	£56,399.99	5.45%
£56,400.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for loss of office

There were no compensation benefits paid to any senior staff during the financial year.

STAFF REPORT

Staff costs

Staff costs comprise:

[Audited information]

	Permanently Employed Staff	Others	2021-22	2020-21
			£000	£000
			Total	Total
Wages and salaries	4,290	571	4,861	4,239
Social security costs	435	-	435	388
Other pension costs	1,250	-	1,250	1,119
Total costs	5,975	571	6,546	5,746

Of which:	Note	2021-22	2020-21
		£000	£000
		Total	Total
Programme staff costs	3	6,544	5,746
Capital projects		2	-
Total costs		6,546	5,746

The NICS main pension schemes are unfunded multi-employer defined benefit schemes but the Agency is unable to identify its share of the underlying assets and liabilities.

The Public Service Pensions Act (NI) 2014 provides the legal framework for regular actuarial valuations of the public service pension schemes to measure the costs of the benefits being provided. These valuations inform the future contribution rates to be paid into the schemes by employers every four years following the scheme valuation. The Act also provides for the establishment of an employer cost cap mechanism to ensure that the costs of the pension schemes remain sustainable in future.

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2023.

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance also commissioned a consultation in relation to the Cost Cap element of Scheme Valuations which closed on 25 June 2021. The Cost Cap Mechanism (CCM) is a measure of scheme costs and determines whether member costs or scheme benefits require adjustment to maintain costs within a set corridor.

Staff costs (continued)

By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme cost control valuation outcomes will show greater costs than otherwise would have been expected. Following completion of the consultation process the 2016 Valuation has been completed and the final cost cap determined. Further information can be found on the Department of Finance website <https://www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations>.

A case for approval of a Legislative Consent Motion (LCM) was laid in the Assembly to extend the Public Service Pensions and Judicial Offices Bill (PSP&JO) to Northern Ireland. Under the LCM agreed by the NI Assembly on 1 November 2021 provisions are included in the Act for devolved schemes in NI. A second LCM was laid in the Assembly to implement the CCM changes in the Westminster Bill for devolved schemes. The second LCM, as agreed by the Assembly on 31 January 2022, ensured the reformed only scheme design and the economic check will now be applied to the 2020 scheme valuations for the devolved public sector pension schemes, including the NICS pension scheme. The PSP&JO Act received Royal Assent on 10 March 2022. The UK Act legislates how the government will remove the discrimination identified in the McCloud judgment. The Act also includes provisions that employees will not experience any detriment if the adjusted valuation costs breach the set cost cap ceiling but any breaches of the cost cap floor (positive employee impacts) in the completed valuations will be honoured.

For 2021-22, employers' contributions of £1,267,872 were payable to the NICS pension arrangements (2020-21: £1,103,594) at one of three rates in the range 28.7% to 34.2% of pensionable pay, based on salary bands.

Employees can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employers' contributions of £Nil (2020-21: Nil) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2020-21, 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £Nil, 0.5% (2020-21: £Nil, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £Nil. Contributions prepaid at that date were £Nil.

One individual (2020-21: none) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £13,865 (2020-21: £Nil).

Average number of persons employed

The average number of whole-time equivalent persons employed was as follows:

[Audited information]

	2021-22	2020-21 Restated
Operational staff	148	125
Staff engaged on capital projects	-	-
Total	148	125

Staff composition

The number of persons employed at 31 March 2022 was as follows:

	Female staff	Male Staff	Total Staff
LSA Board	3	2	5
Senior Civil Service	-	1	1
LSA Employees	85	76	161

Managing attendance

The Agency had an overall sickness absence rate of 15.6 days lost per employee in 2021-2022 (2020-21: 17.3 days). Annual sickness absence figures can be found in the “Sickness Absence in the Northern Ireland Civil Service 2021/22” report at [Sickness Absence in the Northern Ireland Civil Service 2021/22 | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](#).

Staff wellbeing

LSA has continued to make staff aware during 2021-22 of on-line well-being events, guidance and supports available including on-line resilience training for staff and line managers. The restrictions driven by the pandemic have meant no social or well-being events have been held during the year due to social distancing. NICS HR provided Managing Sickness Absence training for all Agency Head of Branches in February 2022. The Agency also participated in the DOJ Hybrid Working Policy Pilot. Lessons learnt will be factored into the rollout from April 2022.

Staff policies

Pay policy

The Agency does not have delegated pay authority as all staff are civil servants.

Under the Civil Service (NI) Order 1999, DoF is responsible for the pay arrangements of NI civil servants (apart from those agencies, non-ministerial government departments and other bodies with an agreed pay delegation).

The pay award system is administered centrally and aims to:

- be a system which will help to recruit, retain and motivate staff to perform efficiently the duties required of them;
- encourage staff to improve their individual performance by providing a direct and regular link between satisfactory performance and pay;
- ensure equity of treatment in respect of pay in accordance with legal requirements and the equal opportunities policy of the NICS;
- secure the confidence of staff that their pay will be determined fairly;
- secure the confidence of the public and their representatives in the system for determining the pay of the staff; and
- enable the Government to reconcile its responsibilities for the control of public expenditure with its responsibilities as an employer.

Equality, Diversity and Inclusion

In the NICS, we are committed to building an inclusive workplace culture where diversity is truly valued at all levels, where you are valued for who you are and where you can bring your true self to work. We want to make use of all the talent that exists across the NICS to ensure we are a well-led, high performing, outcome-focused Service and a Service that is a great place to work.

The [NICS People Strategy](#) includes a range of actions that will help accelerate our ambition of a truly inclusive NICS, which reflects the society we serve.

As a key element of the People Strategy, our ambitious diversity and inclusion programme of work is delivered through the implementation of an annual NICS Diversity Action Plan, and overseen by the leadership of the NICS Board, the NICS Diversity Champions Network, Departmental Diversity Champions and Thematic Diversity Champions, NICS colleague networks and NICS HR, as well as through partnership working with stakeholder organisations.

The NICS Diversity Action Plan sets out our priorities for action by diversity and inclusion theme, cross-cutting priorities, departmental priorities and includes supporting plans on communications and outreach.

Equality, Diversity and Inclusion (continued)

Equality is a cornerstone consideration in the development and review of all HR policies which determine how staff are recruited and appointed, their terms and conditions, how they are managed and developed, assessed, recognised and rewarded. Further information on the NICS' commitment to equality of opportunity is available in the [Equality, Diversity and Inclusion Policy](#).

As part of the NICS' efforts to ensure equality of opportunity, the NICS continually conducts comprehensive reviews into the composition of its workforce and recruitment activity, publishing a wide range of data.

The statistics are available on the NICS Human Resources Statistics section of the [Northern Ireland Statistics and Research Agency \(NISRA\)'s website](#).

The annual "Equality Statistics for the Northern Ireland Civil Service" reports work force composition and trends over time and, where appropriate, makes comparisons with the wider labour market and the Civil Service in Great Britain.

The NICS continues to meet its statutory obligations under the Fair Employment & Treatment (NI) Order 1998, which includes submission of an annual Fair Employment Monitoring Return and a tri-annual Article 55 Review to the Equality Commission for NI (ECNI), both of which assess the composition of the NICS workforce and the composition of applicants and appointees. In addition, the NICS conducts a similar formal review of the gender profile of its workforce. The findings are published in the NICS [Article 55 and Gender Reviews](#).

The NICS uses the findings of all the equality monitoring and analysis to inform its programme of targeted outreach activity to address any areas of under-representation.

As a public authority, the NICS has due regard to the need to promote equality of opportunity and regard to the desirability of promoting good relations across a range of categories outlined in the Section 75 of the Northern Ireland Act 1998 in carrying out its functions. Further information on the department's equality scheme is available on its website: [Department of Justice](#).

The Agency complies with NICS and DoJ policies to ensure that all eligible persons will have equal opportunity for employment and advancement on the basis of their ability, qualifications and aptitude for work. Under the policy, everyone has a right to equality of opportunity and to a good and harmonious working environment and atmosphere where they are treated with dignity and respect. The Agency aims to provide opportunities for all sections of the community and continues to strive to create an inclusive working environment in which difference is recognised and valued.

The Agency is an Equal Opportunity employer and is fully committed to the elimination of all forms of harassment, bullying, discrimination and victimisation. The Agency recognises the legal obligations under which it operates and ensures working relationships are based on mutual trust, respect and understanding. This allows the maximum potential to be made of the wide variety of skills, abilities and attributes available within the Agency.

Employment, training and advancement of disabled persons

The NICS is committed to working towards creating a truly inclusive workplace where all colleagues feel valued. The NICS has a wide and active network of Diversity Champions. The NICS Disability Champion is supported by the NICS Disability Working Group, a consultative group that works to promote disability equality and inclusion across the NICS.

The NICS applies the recruitment principles as set out in the Recruitment Code of the Civil Service Commissioners for Northern Ireland, appointing candidates based on merit through fair and open competition. Mandatory training for recruitment and selection panel members includes raising awareness of unconscious bias. Unconscious bias training is available to all staff.

The NICS undertakes outreach activities to promote career opportunities to the disability sector and offers a Work Experience Scheme for People with Disabilities and participates in the annual International Job Shadow Day.

In 2021-22, the NICS implemented a Guaranteed Interview Scheme (GIS).

To maintain and promote a diverse and inclusive workforce, the NICS has policies in place to support reasonable adjustments to working practices or the work environment as required by disabled persons. In 2021-22, the NICS offered a number of work experience opportunities under the Job Start Scheme.

Employee involvement and Trade Union relationships

DoF is responsible for the NICS Industrial Relations Policy. NICS HR, consults on HR policy with all recognised Trade Unions and local departmental arrangements are in place to enable consultation on matters specific to a department or individual business area. At a local level LSA meet regularly with Union representatives to discuss issues and the Agency approach to safe working during the pandemic has been a key topic during the year.

During 2021-22 the Agency published regular staff bulletins and messages from the SMT focused on keeping staff involved even when working from home. SMS messaging was implemented prior to the first lockdown and has proved a valuable tool, in supplement to e-mail, in order to get the clear consistent messaging out to all staff simultaneously.

The SMT approved the expanded use of Webex meeting software with additional accounts procured to facilitate, at least, monthly team meetings, support training and promote effective staff engagement and communication. Through Webex, the SMT have held a number of remote Agency-wide communication events to establish a sense of cohesion and provide an opportunity to thank and reassure staff.

Employee involvement and Trade Union relationships (continued)

Under the DoJ Staff Engagement Strategy, LSA is represented on the DoJ Staff Engagement Forum. LSA will refresh representation during the in-coming year with staff serving a term of one-two years. The purpose of the Forum is to provide a voice for staff to discuss issues and concerns and, on many fronts, influence the future direction of the Department. The Forum usually meets quarterly and members are asked to:

- input to the DoJ's People Plan;
- respond to the People Survey;
- act as a conduit for staff to raise issues on behalf of colleagues;
- contribute to and champion the Department's Corporate Social Responsibility Plan within business areas; and
- engage with staff to promote the diversity and inclusion agenda.

Learning and development

The NICS and in turn LSA recognises the importance of having skilled and engaged employees and continues to invest in learning and development.

Development and delivery of generic staff training is centralised in NICS HR³. Training is delivered using a variety of learning delivery channels (including on-line, webinars), providing flexible access to learning. Coherent learning pathways are aligned to both corporate need and the NICS Competency Framework.

Talent management is a key theme of the NICS People Strategy and this year the focus continued on promoting the importance of improving the quality of the development conversation between managers and staff, with additional resources being added to the existing talent management toolkit.

The NICS offers a wide range of career development opportunities through mentoring, secondment and interchange opportunities, elective transfers, temporary promotion, job rotation and job shadowing.

In LSA all staff completed a Personal Development Plan which identified training needs for 2021-22. Cyber Security training was rolled out to all staff as mandatory online training as an indicator of the Agency's commitment to addressing the qualification in respect of fraud and error.

Learning and development is a key focus for the Agency in 22-23 as outlined in the Business Plan. As part of the performance review cycle, the Agency is undertaking Training Needs Analysis to inform a future Corporate Training Plan.

³ NICS HR is the NICS' centralised human resources function. It falls under the responsibility of the Department of Finance

Staff engagement

The 2021 NICS People Survey was conducted by NISRA across the nine NICS ministerial Departments as well as the Public Prosecution Service and the Health & Safety Executive for NI. All staff working in these organisations were invited to take part in the survey. As the 2020 survey related primarily to the impact of Covid-19 and did not include engagement themes, the latest year for which direct comparisons can be made is 2018 for LSA and 2019 for NICS. Due to the measurement methodology used for the 2019 NICS People Survey, LSA specific answers were not available in terms of staff engagement scores as these were embedded in the Justice Delivery Directorate results. The reporting hierarchy has now been amended to provide an EEI for LSA only.

For LSA in 2021 there were 150 (2018: 121 staff invited to complete the survey, of which 90 (2018: 64) participated, a response rate of 60% (2018: 53%). The Employee Engagement Index (EEI) is the weighted average of the responses to the five employee engagement questions, and it ranges from 0% to 100%. LSA responses indicated an Employee Engagement Index of 53% (2018: 44%), compared to the NICS average of 57% (2019: 51%).

The full survey can be accessed at <https://www.finance-ni.gov.uk/publications/nics-people-survey-results>.

Staff turnover

The Agency Turnover percentage (the total number of people that have left the Agency including those who have moved within the NICS) for 2021-22 is 7.5%, and the General Turnover percentage (the people who have left the Agency and have not gone elsewhere in the NICS) is 0.8%. This has been calculated by NICS HR based on the Cabinet Office Guidance on calculations for Turnover in the Civil Service.

	2021-22	2020-21
Departmental Turnover Rate	7.5%	6.7%
General Turnover Rate	0.8%	0.0%

Expenditure on consultancy

The Agency incurred no expenditure on consultancy during 2020-21 or 2021-22.

Off-payroll payments

The Agency made no off-payroll payments in 2020-21 or 2021-22.

Reporting of Civil Service and other compensation schemes - exit packages

[Audited information]

There were no exit packages requiring disclosure during 2020-21 or 2021-22.

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

ASSEMBLY ACCOUNTABILITY DISCLOSURES

Regularity of Expenditure

[Audited information]

Losses and special payments

During 2021-22, 310 cases of trade receivable balances totalling £624,652 were written-off (2020-21: 149 cases totalling £465,445).

Fraud and error

The Agency administers legal aid payments on behalf of DoJ. The complexity of the legislation, the degree of discretion and inherent risks associated with adjudication, assessment and payment of bills can result in inaccurate payments being made in a proportion of cases.

Legal aid expenditure therefore may not be applied for the purposes intended by the Assembly or conform to the authorities which govern them due to:

- Official error - where an error can be attributed to the actions or inactions of the Agency or the wider justice structure;
- Errors made by legal aid applicants and legal practitioners; and
- Fraud.

Overpayments are considered irregular as the expenditure has not been applied in accordance with the purposes intended by the Assembly. Underpayments resulting from official error are also considered to be irregular as the transactions have not been processed in accordance with the applicable legislation.

Estimates of official error within individual sampled legal aid payments have been provided by the SAU, within the DfC, under a Memorandum of Understanding since 2019. The estimated level of overpayments in legal aid expenditure resulting from official error in 2021-22 is £1.0m (2020-21: £4.4m), whilst the estimated level of underpayments is £0.9m (2020-21: £1.2m).

Estimates of applicant fraud and error within individual sampled legal aid payments have been provided by the SAU, within the DfC, under a Memorandum of Understanding since 2021. The amount of legal aid estimated to have been paid incorrectly due to applicant fraud and error in 2021-22 is £1.3m.

LSA does not currently produce an estimate of the likely scale of overpayments or underpayments made to legal practitioners resulting from fraud and error. However, following the practitioner fraud and error pilot in 2021-22, independent measurement will commence in 2023.

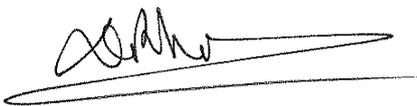
ASSEMBLY ACCOUNTABILITY DISCLOSURES (CONTINUED)

[Audited information]

Remote contingent liabilities

In addition to contingent liabilities reported within the meaning of International Accounting Standard (IAS) 37 Provisions, Contingent Liabilities and Contingent Assets, the Agency is required to report liabilities for which the likelihood of economic benefit in settlement is too remote to meet the definition of a contingent liability. The Agency has no such liabilities.

Note 16 provides further details regarding the contingent liabilities that are included within the financial statements.

ACCOUNTABILITY REPORT

Paul Andrews
Chief Executive and Accounting Officer
30 June 2022

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Legal Services Agency Northern Ireland for the year ended 31 March 2022 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, except for any possible effects of the matters described in the Basis for qualified opinion section of my certificate, the financial statements:

- give a true and fair view of the state of the Legal Services Agency Northern Ireland's affairs as at 31 March 2022 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the matters described in the Basis for qualified opinions section of my certificate, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinions

Provision for legal aid liabilities totalling £162.4 million has been made in the financial statements for the estimated expenditure required to settle the costs incurred on legal aid cases. However in respect of £140.6 million of those liabilities, the Legal Services Agency Northern Ireland was unable to provide sufficient evidence to support management information used to determine a number of key assumptions and judgements it used to estimate this element of the provision. Consequently, I was unable to determine the full extent of the adjustments necessary to the provision for legal aid liabilities and the resulting adjustment to the legal aid expenditure for the year.

My examination found material weaknesses in controls over fraud and error prevention and detection in respect of legal aid costs totalling £99.7 million:

- The Agency is required to pay legal aid costs in accordance with legislation. Statistics produced by the Agency estimated £1 million of overpayments and £0.9 million of underpayments of legal aid costs were made in the year due to official error. Where official error results in overpayments and underpayments, the transactions have not been processed in accordance with the applicable legislation and are therefore irregular. Further statistics produced by the Agency also estimated there to be £1.3 million of incorrect legal aid payments made due to applicant fraud and error. Fraudulent transactions by their definition are also irregular since they are without proper authority.
- The Agency was unable to provide sufficient evidence to enable me to conclude that a material amount of legal aid expenditure had not been claimed fraudulently or in error by legal aid practitioners. There were no additional audit procedures that I could undertake to provide me with assurance as to the regularity of this expenditure. The scope of my audit was therefore limited in this respect and I am unable to form an opinion on whether all of the remaining balance of expenditure on legal aid was in accordance with the purposes intended by the Assembly and that these financial transactions conformed to the authorities which governed them.

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of Legal Services Agency Northern Ireland in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard, and have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that Legal Services Agency Northern Ireland's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Legal Services Agency Northern Ireland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The going concern basis of accounting for Legal Services Agency Northern Ireland is adopted in consideration of the requirements set out in the Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in that report as having been audited and my audit certificate and report. The Accounting Officer is responsible for the other information included in the annual report. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Legal Services Agency Northern Ireland and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and Accountability Report.

Except for the lack of sufficient appropriate audit evidence, which has led to the limitation in scope of our audit opinion detailed above, to:

- allow for an assessment of fraud and error in legal aid funding paid to practitioners; and
- underpin management's judgements and assumptions used in the valuation of an element of the provision for legal aid liabilities,

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- certain disclosures of remuneration specified by the Government Financial Reporting Manual are not made; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Except for the lack of sufficient appropriate audit evidence, which has led to the limitation in scope of our audit opinion detailed above, to allow for an assessment of fraud and error in legal aid funding paid to practitioners; and underpin management's judgements and assumptions used in the valuation of an element of the provision for legal aid liabilities, I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- I have not received all the information and explanations I require for my audit.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- assessing the Legal Services Agency Northern Ireland's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by Legal Services Agency Northern Ireland will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included:

- obtaining an understanding of the legal and regulatory framework applicable to the Legal Services Agency Northern Ireland through discussion with management and application of extensive public sector accountability knowledge. The key laws and regulations I considered included Legal Aid and Coroners' Court Act (Northern Ireland) 2014 and Access to Justice (Northern Ireland) Order 2003;
- making enquires of management and those charged with governance on Legal Services Agency Northern Ireland's compliance with laws and regulations;
- making enquiries of internal audit, management and those charged with governance as to susceptibility to irregularity and fraud, their assessment of the risk of material misstatement due to fraud and irregularity, and their knowledge of actual, suspected and alleged fraud and irregularity;
- completing risk assessment procedures to assess the susceptibility of Legal Services Agency Northern Ireland's financial statements to material misstatement, including how fraud might occur. This included, but was not limited to, an engagement director led engagement team discussion on fraud to identify particular areas, transaction streams and business practices that may be susceptible to material misstatement due to fraud. As part of this discussion, I identified potential for fraud in the following areas: legal aid expenditure and provisions, revenue recognition and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;

- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, and agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate, risk assessment of journals, reviewing the design and controls used in the valuation of legal aid provisions, and reviewing controls in place for reducing the levels of fraud and error in legal aid payments;
- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

My report on those matters subject to qualification is included on pages 127 to 134 of the financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
1 Bradford Court
Galwally
BELFAST
BT8 6RB

1 July 2022

FINANCIAL STATEMENTS**Statement of Comprehensive Net Expenditure****For the year ended 31 March 2022**

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2021-22 £000	2020-21 £000
Revenue from contracts with customers	5	-	-
Other operating income	5	(1,071)	(2,500)
Total operating income		(1,071)	(2,500)
Staff costs	3	6,544	5,746
Purchase of goods and services	3	3,990	(2,586)
Depreciation and amortisation charges	3	1,317	1,312
Provisions expense	3	99,609	80,253
Grants	3	-	10
Total operating expenditure		111,460	84,735
Net operating expenditure		110,389	82,235
Finance expense		-	-
Net expenditure for the year		110,389	82,235
Other comprehensive net expenditure			
Items that will not be reclassified to Net operating expenditure:			
- net (gain) on revaluation of property, plant and equipment	6	-	-
- net (gain) on revaluation of intangibles	7	(423)	(79)
Comprehensive net expenditure for the year		109,966	82,156

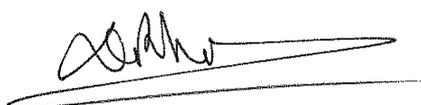
The notes on pages 90 to 125 form part of these Accounts.

Statement of Financial Position

As at 31 March 2022

This statement presents the financial position of the Agency. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2022 £000	2021 £000
Non-current assets			
Property, plant and equipment	6	7	21
Intangible assets	7	6,122	6,739
Total non-current assets		6,129	6,760
Current assets			
Trade and other receivables	10	9,240	8,984
Total current assets		9,240	8,984
Total assets		15,369	15,744
Current liabilities			
Trade and other payables	11	(4,234)	(3,072)
Provisions	12	(72,577)	(62,398)
Total current liabilities		(76,811)	(65,470)
Total assets less current liabilities		(61,442)	(49,726)
Non-current liabilities			
Provisions	12	(90,159)	(95,588)
Total non-current liabilities		(90,159)	(95,588)
Total assets less total liabilities		(151,601)	(145,314)
Taxpayers' equity and other reserves			
General Fund		(152,199)	(145,531)
Revaluation Reserve		598	217
Total equity		(151,601)	(145,314)



Paul Andrews
Chief Executive and Accounting Officer

30 June 2022

The notes on pages 90 to 125 form part of these Accounts.

Statement of Cash Flows

For the year ended 31 March 2022

The Statement shows the changes in cash and cash equivalents of the Agency during the reporting period. The statement shows how the Agency generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Agency. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Agency's future public service delivery.

	Note	2021-22 £000	2020-21 £000
Cash flows from operating activities			
Net expenditure for the year		(110,389)	(82,235)
Adjustment for non-cash transactions	4	101,437	75,913
(Increase) in trade and other receivables	10	(95)	(994)
Increase/(decrease) in trade and other payables	11	1,081	(29)
Use of provisions	12	(94,859)	(75,323)
Net cash outflow from operating activities		(102,825)	(82,668)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	-
Purchase of intangible assets		(227)	(178)
Net cash outflow from investing activities		(227)	(178)
Cash flows from financing activities			
Net Assembly Funding		103,008	82,379
Net financing		103,008	82,379
Net (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(44)	(467)
Receipts due to the Consolidated Fund which are outside the scope of the Agency's activities		-	3
Payments of amounts due to the Consolidated Fund		-	(3)
Net (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(44)	(467)
Cash and cash equivalents at the beginning of period	9	(1,457)	(990)
Cash and cash equivalents at the end of period	9	(1,501)	(1,457)

The notes on pages 90 to 125 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2022

This statement shows the movement in the year on the different reserves held by LSA, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of the Agency, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2020		(146,291)	165	(146,126)
Net Assembly Funding		82,379	-	82,379
Comprehensive net expenditure for the year		(82,235)	79	(82,156)
Auditor's remuneration	3	73	-	73
Other notionals	3	516	-	516
Transfer between reserves		27	(27)	-
Balance at 31 March 2021		(145,531)	217	(145,314)
Net Assembly Funding		103,008	-	103,008
Comprehensive net expenditure for the year		(110,389)	423	(109,966)
Auditor's remuneration	3	76	-	76
Other notionals	3	595	-	595
Transfer between reserves		42	(42)	-
Balance at 31 March 2022		(152,199)	598	(151,601)

The notes on pages 90 to 125 form part of these Accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2021-22 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

1.1 Accounting convention

These Accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and certain financial assets and liabilities.

The Accounts are stated in sterling, which is the Agency's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£000).

1.2 Going concern

The Agency is an Executive Agency within DoJ having been established on 1 April 2015 upon the dissolution of the Northern Ireland Legal Services Commission (NILSC) under the Legal Aid and Coroners' Courts Act (Northern Ireland) 2014. The future financing of the Agency's activities is expected to be met by the DoJ from funds which are voted annually under the relevant Budget Act. The Agency takes the view that the going concern concept applies as long as the provisions of the Legal Aid and Coroners' Courts Act (Northern Ireland) 2014 remain extant.

1.3 Property, plant and equipment

Expenditure on property, plant and equipment of over £1,000 is capitalised. Where material the grouping of a range of property, plant and equipment has also been undertaken in respect of some personal computers, printers, office furniture and equipment.

On initial recognition property, plant and equipment are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition. Items classified as "under construction" are recognised in the Statement of Financial Position to the extent that money has been paid or a liability has been incurred. In compliance with IAS 16 Property, Plant and Equipment, subsequent expenditure on an asset which does not meet the criteria of enhancement or improvement is treated as revenue spend.

All property, plant and equipment are carried at fair value.

1.4 Intangible assets

Expenditure on the Agency's digital Legal Aid (Case) Management System (LAMS) including supplier design and implementation costs and internal Agency project team staff salary costs, has been capitalised and classified as an intangible asset.

In addition, expenditure on computer software licenses lasting more than one year and costing more than £1,000 is capitalised and classified as intangible assets.

All intangible assets are carried at fair value and are revalued annually using appropriate indices provided by the Office for National Statistics.

1.5 Revaluation Reserve

Upward revaluations are credited to the Revaluation Reserve and permanent reductions in the value of property, plant and equipment are charged to the Statement of Comprehensive Net Expenditure. Any subsequent revaluation of assets is credited to the Statement of Comprehensive Net Expenditure to the extent that it reverses previous revaluation decreases recognised as an expense.

1.6 Depreciation and amortisation

All property, plant and equipment and intangible assets are depreciated/amortised at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Assets in the course of construction are depreciated from the point when the asset is brought into use.

Estimated useful lives, which are reviewed regularly, are:

Asset category	Useful Life
Plant and machinery	3 - 25 years
Information technology	3 - 16 years
Intangible assets (software and licences)	1 - 10 years

Software licences are amortised over the shorter of the term of the licence and the useful economic life.

1.7 Realised element of depreciation from Revaluation Reserve

Depreciation is charged to expenditure on the revalued amount of property, plant and equipment. An element of depreciation therefore arises due to the increase in valuation and is in excess of the depreciation that would be charged on the historical cost of assets. The amount relating to this excess is a realised gain on disposal and is transferred from the Revaluation Reserve to the General Fund.

1.8 Value Added Tax

Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment and intangible assets. VAT is recoverable on a Departmental basis.

1.9 Provisions

Provision is made for legal or constructive obligations, which are of uncertain timing or amount at the reporting date, on the basis of the best estimate of the expenditure required to settle the obligation.

Further details are contained in Notes 1.22 and 12 regarding the provisions for obligations to settle the costs incurred by the legal profession in providing legal advice and assistance to assisted persons that arise from the issue of certificates granting legal aid for specific cases.

1.10 Contingent liabilities

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, the Agency discloses as contingent liabilities, potential future obligations arising from past obligating events where the existence of such obligations remain uncertain pending the outcome of future events outside the Agency's control, unless their likelihood is considered to be remote.

In addition, the Agency discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Assembly in accordance with the requirements of Managing Public Money Northern Ireland.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to the Assembly separately noted.

Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to the Assembly.

1.11 Third-party assets

Third-party assets are assets for which the Agency acts as custodian or trustee, but in which neither the Agency nor Government more generally has a direct beneficial interest. Third-party assets are not public assets, and hence are not recorded in the primary financial statements.

Awards for damages to funded clients may be required by the Agency to offset any liability to the costs for legal aid. The Agency placed these funds on deposit until the liability, if any, was determined and any excess of damages paid to the funded client. These funds were accounted for as funds held on behalf of third-parties and therefore only appear in the notes of these Accounts (see Note 19).

1.12 Financing

The Agency is primarily resourced by funds approved by the Assembly through the annual Supply process. Resources are drawn down each month to meet expenditure requirements and are credited to the General Fund.

1.13 Classification of Income and Expenditure

The Statement of Comprehensive Net Expenditure for the Agency only includes programme income and expenditure.

Programme expenditure includes costs for publicly funded legal services, grants and other disbursements. The classification of income or expenditure as programme follows the definition set by DoF.

1.14 Income

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Agency is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Agency: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Sale of goods and services

Revenue from the sale of goods and services is recognised either:

- at the point in time when the customer obtains control of the goods, which is generally at the time of delivery; or
- over time as the services are rendered based on either a fixed price or an agreed rate.

Other operating income

Other operating income is income which relates directly to the operating activities of the Agency. It includes both income classified as Accruing Resources and income due to the Consolidated Fund, which in accordance with the FReM, is treated as operating income.

Rental income - rent revenue from properties is recognised on a straight-line basis over the lease term.

Other income - other revenue is recognised when it is received or when the right to receive payment is established.

1.15 Staff costs

Under IAS19 (revised) *Employee Benefits*, all staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the costs of any untaken leave as at the reporting date.

1.16 Pension costs

From 1 April 2015, employees of the Agency are covered by the provisions of the NICS pension arrangements. These defined benefit schemes are unfunded. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the NICS pension arrangements of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the NICS pension arrangements. In respect of defined contribution schemes, the Agency recognises the contributions payable for the year.

Further details regarding pension schemes and costs are contained in the Remuneration and Staff Report.

1.17 Operating leases

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Rentals are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease.

1.18 Grants payable

Grants payable are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs. Grants related to activity occurring over a specific time period, usually a financial year are recorded as expenditure for that period.

1.19 Notional charges

Notional charges, in respect of services received from DoJ, other government departments and agencies, are included to reflect the full economic cost of services.

1.20 Segmental reporting

Under the requirements of IFRS 8 *Operating Segments*, the Agency must disclose information to enable users of the financial statements to evaluate the nature and financial effects of the business in which it engages and the economic environment in which it operates. 'Total Assets' are only required to be disclosed in reporting segments where total assets for segments are regularly reported to the Chief Operating Decision Maker. As total assets for segments are not regularly reported to the Chief Operating Decision Maker the Agency has adopted this option. This does not have a material impact on the Agency's financial statements. Full details of the reporting segments are contained within Note 2.

1.21 Financial Instruments

Recognition and de-recognition of financial assets and financial liabilities

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognised when the Agency becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the Agency no longer has rights to cash flows, the risks and rewards of ownership or control of the asset. Financial liabilities are derecognised when the obligation under the liability is discharged, cancelled or expires.

Financial assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term (held for trading) or if so designated by management. Financial assets held in this category are initially recognised and subsequently measure at fair value, with changes in value recognised in the income statement in the line which most appropriately reflects the nature of the item or transaction.

Trade and other receivables

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount and subsequently carried at amortised cost using the effective interest rate method less provisions for doubtful receivables. Provisions are made specifically where there is objective evidence of a dispute or inability to pay.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents are as defined above net of outstanding bank overdrafts.

1.21 Financial Instruments (continued)

Impairment of financial assets

The Agency assesses at each reporting date whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the Statement of Comprehensive Net Expenditure. The impairment loss is measured as the difference between that asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is only reversed if it can be related objectively to an event after the impairment was recognised and is reversed to the extent that carrying value of the asset does not exceed its amortised cost at the date of reversal.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar origin and risk characteristics. Future cash flows from these portfolios are estimated on the basis of the contractual cash flows and historical loss experience for assets with similar risk characteristics.

Impairment losses are recognised in the Statement of Comprehensive Net Expenditure and the carrying amount of the financial asset or group of financial assets reduced by establishing an allowance for impairment losses. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance. If a financial asset is deemed unrecoverable, the amount of the asset is reduced directly and the impairment loss recognised in the Statement of Comprehensive Net Expenditure to the extent a provision was not previously recognised.

Financial liabilities

Trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest rate method.

1.22 Critical accounting estimates and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Agency's accounting policies. The Agency continually evaluates its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts are discussed below.

Legal aid provisions

The determination of provisions remains a key area where management's judgement is required. There are a number of key assumptions applied in the calculation of the provisions and full details are contained in Note 12.1.

Depreciation of property, plant and equipment and amortisation of intangible assets

Depreciation and amortisation is provided in the Accounts so as to write-down the respective assets to their residual values over their expected useful lives and as such the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 1.6.

Other than as noted above, no material accounting estimates or judgements were made by LSA in preparing these Accounts.

1.23 Accounting standards, interpretations and amendments to published standards and FReM - issued and effective in 2021-22 for the first time

The Agency has considered those new Standards, interpretations and amendments to existing Standards which have been published and are mandatory for the Agency's accounting periods beginning on or after 1 April 2021 or later periods, but which the Agency has not adopted early. The Agency considers that these are not relevant or material to its operations.

1.24 Accounting standards, interpretations and amendments to published standards not yet effective

The Agency has considered those new Standards, interpretations and amendments to existing Standards which have been published and are mandatory for the Agency's accounting periods beginning on or after 1 April 2022 or later periods, but which the Agency has not adopted early. Other than as outlined below, the Agency considers that these Standards are not relevant or material to its operations.

Standard	IFRS 16 Leases (replaces IAS 17 Leases and related interpretations)
Effective date	January 2019 (EU endorsed 31 October 2017)
FReM application	2022-23
Description of revision	<p>The IASB issued IFRS 16 in January 2016 with an effective date for annual periods beginning on or after 1 January 2019. Early application is permitted for those entities applying IFRS 15. IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases, unless they qualify for low value or short-term exemptions. In addition, there are updated disclosure requirements.</p> <p>The lessor accounting model is generally unchanged from IAS 17 but entities should be aware of the introduction and impacts of IFRS 9 Financial Instruments, enhanced disclosure requirements and that a sub-lessor now determines whether a lease is finance or operating based on the right of use asset it subleases.</p>
Comments	<p>IFRS 16 Leases replaces IAS 17 Leases and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2022.</p> <p>The Agency has undertaken a preliminary assessment of the potential impact of IFRS 16 on its future financial statements. IFRS 16 is not expected to have a material impact on the Statement of Financial Position or the Statement of Comprehensive Net Expenditure in 2022-23.</p>

1.25 Financial reporting - future developments

The Agency has considered the accounting initiatives identified by HM Treasury covering amendments or interpretations from the 2018-20 Annual improvement cycle, and projects where standards, amendments or interpretations are in development. The Agency considers that these changes are not relevant or material to its operations.

2. Statement of Operating Expenditure by Operating Segment

The following operating segments are reported to the Agency Board for financial management purposes:

- **Civil legal services** - provides legal representation in civil court proceedings, primarily in the County Court and High Court and allows someone to obtain legal representation by a solicitor and barrister, either to bring or to defend a court case; and
- **Criminal legal aid** - provides legal representation by a solicitor and barrister to defend someone charged with criminal offences in a magistrates' court or Crown Court.

			2021-22 £000
	Civil legal services	Criminal legal aid	Total
Gross expenditure	56,185	55,275	111,460
Income	(1,055)	(16)	(1,071)
Net expenditure	55,130	55,259	110,389

			2020-21 £000
	Civil legal services	Criminal legal aid	Total
Gross expenditure	47,084	37,651	84,735
Income	(2,486)	(14)	(2,500)
Net expenditure	44,598	37,637	82,235

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2021-22 £000		
	Civil legal services	Criminal legal aid	Total
Total net expenditure reported for Operating Segments	55,130	55,259	110,389
Reconciling items	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	55,130	55,259	110,389

	2020-21 £000		
	Civil legal services	Criminal legal aid	Total
Total net expenditure reported for Operating Segments	44,598	37,637	82,235
Reconciling items	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	44,598	37,637	82,235

2.2 Reconciliation between Operating Segments and Statement of Financial Position

'Total Assets' are only required to be disclosed in reporting segments where total assets for segments are regularly reported to the Chief Operating Decision Maker. As total assets for segments are not regularly reported to the Chief Operating Decision Maker, the Agency has adopted this option. This does not have a material impact on the Agency's financial statements.

3. Programme expenditure

	Note	2021-22 £000	2020-21 £000
Staff costs*			
Wages and salaries		4,859	4,239
Social security costs		435	388
Other pension costs		1,250	1,119
		6,544	5,746
Purchase of goods and services			
Accommodation costs, maintenance and utilities		656	608
IT, communications and office services		133	167
Consumables, equipment and transport costs		5	1
Contracted out and managed services		1,026	957
Professional and consultancy costs		132	148
Client and programme operating costs		367	184
Rentals under operating leases		421	421
Staff related costs		25	30
Other costs		633	468
Appeals Panel and Non-Executive Member costs		81	82
		3,479	3,066
Non-cash items			
Loss on disposal of non-current assets		1	5
Auditor's remuneration and expenses		76	73
Notional charges		595	516
(Decrease)/increase in impairment of trade receivables	10	(161)	(6,246)
		511	(5,652)
		3,990	(2,586)
Depreciation and amortisation charges			
Depreciation	6	13	17
Amortisation	7	1,304	1,295
		1,317	1,312
Provisions expense			
Provided in year	12	97,524	77,972
Re-measurement of opening balance	12	2,085	2,281
		99,609	80,253
Grants			
		-	10
Total programme expenditure			
		111,460	84,735

*Further analysis of Staff costs is located in the Staff Report within the Accountability Report.

4. Non-cash costs

	Note	2021-22 £000	2020-21 £000
Purchase of goods and services	3	511	(5,652)
Depreciation and impairment charges	6, 7	1,317	1,312
Other provisions expense	12	99,609	80,253
		101,437	75,913

5. Income

	2021-22 £000	2020-21 £000
Revenue from contracts with customers	-	-
Other operating income		
Rental income	47	112
Contributions and statutory charges	1,024	2,388
	1,071	2,500
Total operating income	1,071	2,500

6. Property, plant and equipment

	Plant and Machinery £000	Information Technology £000	2021-22 Total £000
Cost or valuation			
At 1 April 2021	1,189	35	1,224
Additions	-	-	-
Disposals	(1)	(1)	(2)
Transfers and reclassifications	-	-	-
Revaluation released to SoCNE	-	-	-
Revaluation	-	-	-
At 31 March 2022	1,188	34	1,222
Depreciation			
At 1 April 2021	1,182	21	1,203
Charged in year	3	10	13
Disposals	-	(1)	(1)
Revaluation released to SoCNE	-	-	-
Revaluation	-	-	-
At 31 March 2022	1,185	30	1,215
Carrying amount at 31 March 2022	3	4	7
Carrying amount at 31 March 2021	7	14	21
Asset financing:			
Owned	3	4	7
Carrying amount at 31 March 2022	3	4	7

6. Property, plant and equipment (continued)

	Plant and Machinery £000	Information Technology £000	2020-21 Total £000
Cost or valuation			
At 1 April 2020	1,189	56	1,245
Additions	-	-	-
Disposals	-	(21)	(21)
Transfers and reclassifications	-	-	-
Revaluation released to SoCNE	-	-	-
Revaluation	-	-	-
At 31 March 2021	1,189	35	1,224
Depreciation			
At 1 April 2020	1,179	23	1,202
Charged in year	3	14	17
Disposals	-	(16)	(16)
Revaluation released to SoCNE	-	-	-
Revaluation	-	-	-
At 31 March 2021	1,182	21	1,203
Carrying amount at 31 March 2021	7	14	21
Carrying amount at 31 March 2020	10	33	43
Asset financing:			
Owned	7	14	21
Carrying amount at 31 March 2021	7	14	21

Property, plant and equipment were adjusted to their current value by reference to the appropriate indices compiled by the Office for National Statistics.

7. Intangible assets

				2021-22
	Software licences £000	Software £000	Assets Under Construct- ion £000	Total £000
Cost or valuation				
At 1 April 2021	30	8,946	-	8,976
Additions	-	264	-	264
Disposals	-	-	-	-
Transfers and reclassifications	-	-	-	-
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	690	-	690
At 31 March 2022	30	9,900	-	9,930
Amortisation				
At 1 April 2021	-	2,237	-	2,237
Charged in year	8	1,296	-	1,304
Disposals	-	-	-	-
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	267	-	267
At 31 March 2022	8	3,800	-	3,808
Carrying amount at 31 March 2022	22	6,100	-	6,122
Carrying amount at 31 March 2021	30	6,709	-	6,739
Asset financing:				
Owned	22	6,100	-	6,122
Carrying amount at 31 March 2022	22	6,100	-	6,122

The software balances relate to capitalised expenditure on the Agency's digital Legal Aid (Case) Management System (LAMS).

7. Intangible assets (continued)

				2020-21
	Software licences £000	Software £000	Assets Under Construct- ion £000	Total £000
Cost or valuation				
At 1 April 2020	-	8,664	-	8,664
Additions	30	176	-	206
Disposals	-	-	-	-
Transfers and reclassifications	-	-	-	-
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	106	-	106
At 31 March 2021	30	8,946	-	8,976
Amortisation				
At 1 April 2020	-	915	-	915
Charged in year	-	1,295	-	1,295
Disposals	-	-	-	-
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	27	-	27
At 31 March 2021	-	2,237	-	2,237
Carrying amount at 31 March 2021	30	6,709	-	6,739
Carrying amount at 31 March 2020	-	7,749	-	7,749
Asset financing:				
Owned	30	6,709	-	6,739
Carrying amount at 31 March 2021	30	6,709	-	6,739

Intangible assets were adjusted to their current value by reference to the appropriate indices compiled by the Office for National Statistics.

8. Financial instruments

IFRS 7 *Financial Instruments: Disclosures* requires disclosure that enables evaluation of the significance of financial instruments for the Agency's financial position and performance, the nature and extent of risks arising from financial instruments to which the Agency is exposed during the period and at the reporting date, and how the Agency manages those risks. As a result of the non-trading nature of its activities and the way in which agencies are financed, the Agency is not exposed to the degree of financial risk faced by business entities. The Agency has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to change risks facing the Agency in undertaking its activities.

Classification of financial instruments

All LSA financial instruments are measured at amortised cost. The Agency's financial assets comprise trade and other receivables (Note 10) and cash and cash equivalents (Note 9). The Agency's financial liabilities comprise trade and other payables and accruals and deferred income (Note 11). The carrying value of these financial assets and liabilities, as disclosed in the notes to the Accounts, approximates to fair value because of their short maturities. The Agency recognises the components of net gain/loss through the Statement of Comprehensive Net Expenditure. Interest on financial instruments is recognised in finance costs under Programme Costs in Note 3 where applicable.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to pay for its obligation. The Agency is exposed to credit risk in relation to the carrying amounts of the trade receivables carried in the statement of financial position. The size of risk is reflected in the receivables impairment (Note 10).

Liquidity risk

Liquidity risk is the risk that an entity will have difficulties in paying its financial liabilities. The Agency's net revenue resource requirements are financed by resources voted annually by the Assembly, as is capital expenditure. The Agency is therefore not exposed to significant liquidity risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Agency's financial assets and liabilities carry nil or fixed rates of interest. The Agency is therefore not exposed to any interest rate risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency does not have the authority to manage currency risk through hedging.

9. Cash and cash equivalents

	2021-22 £000	2020-21 £000
Balance at 1 April	(1,457)	(990)
Net change in cash and cash equivalent balances	(44)	(467)
Balance at 31 March	(1,501)	(1,457)

The following balances at 31 March are held at:

NI banking pool	(1,501)	(1,457)
Commercial banks and cash in hand	-	-
Balance at 31 March	(1,501)	(1,457)

Balances for Cash and cash equivalents are disclosed in the Statement of Financial Position as follows:

	Note	2021-22 £000	2020-21 £000
Current assets		-	-
Current liabilities	11	(1,501)	(1,457)
Total		(1,501)	(1,457)

10. Trade receivables, financial and other assets

	2021-22	2020-21
	£000	£000
Amounts falling due within one year:		
VAT	29	26
Trade receivables	9,133	8,813
Other receivables	3	4
Prepayments and accrued income	75	141
	9,240	8,984

Trade receivables are stated net of the following impairment:

	2021-22	2020-21
Note	£000	£000
Gross trade receivables at 31 March	11,118	10,959
Less impairment of trade receivables:		
At 1 April	(2,146)	(8,392)
Increase in impairment during the year	3 (466)	(531)
Decrease in impairment during the year	3 627	6,777
Impairment at 31 March	(1,985)	(2,146)
Net trade receivables at 31 March	9,133	8,813

The Agency reviews the trade receivable balances on an ongoing basis and considers whether the debt has a reasonable chance of being recovered or if it should be impaired. Following a review of the statutory charge debt recovered in 2020-21, the Agency's assessment is that an impairment is no longer required for this category of debt as the debt is secured as a result of the charge placed. This revised assessment is the main reason for the decrease in impairment noted above for 2020-21.

11. Trade payables, financial and other liabilities

	2021-22	2020-21
Note	£000	£000
Amounts falling due within one year:		
Bank overdraft	9 1,501	1,457
Trade payables	483	187
Other payables	523	434
Accruals and deferred income	1,727	994
	4,234	3,072

12. Provisions for liabilities and charges

	2021-22		
	Legal aid £000	Litigation claims £000	Total £000
At 1 April 2021	157,402	584	157,986
Provided in the year	97,341	183	97,524
Re-measurement of opening balance	2,353	(268)	2,085
Provisions utilised in the year	(94,716)	(143)	(94,859)
Balance at 31 March 2022	162,380	356	162,736

	2020-21		
	Legal aid £000	Litigation claims £000	Total £000
At 1 April 2020	152,353	703	153,056
Provided in the year	77,845	127	77,972
Re-measurement of opening balance	2,418	(137)	2,281
Provisions utilised in the year	(75,214)	(109)	(75,323)
Balance at 31 March 2021	157,402	584	157,986

Analysis of expected timing of cash flows

	2021-22		
	Legal aid £000	Litigation claims £000	Total £000
Not later than one year	72,221	356	72,577
Later than one year and not later than five years	77,605	-	77,605
Later than five years	12,554	-	12,554
Balance at 31 March 2022	162,380	356	162,736

	2020-21		
	Legal aid £000	Litigation claims £000	Total £000
Not later than one year	61,814	584	62,398
Later than one year and not later than five years	92,111	-	92,111
Later than five years	3,477	-	3,477
Balance at 31 March 2021	157,402	584	157,986

12.1 Legal aid: £162.380m (2020-21: £157.402m)

The legal aid provisions can be further analysed as follows:

			2021-22
	Civil legal services £000	Criminal legal aid £000	Total £000
At 1 April 2021	106,334	51,068	157,402
Provided in the year	47,753	49,588	97,341
Re-measurement of opening balance	3,043	(690)	2,353
Provisions utilised in the year	(48,650)	(46,066)	(94,716)
Balance at 31 March 2022	108,480	53,900	162,380
			2020-21
	Civil legal services £000	Criminal legal aid £000	Total £000
At 1 April 2020	102,478	49,875	152,353
Provided in the year	44,938	32,907	77,845
Re-measurement of opening balance	278	2,140	2,418
Provisions utilised in the year	(41,360)	(33,854)	(75,214)
Balance at 31 March 2021	106,334	51,068	157,402

12.1.1 Analysis of provisions by sub-categories

The tables below provide a detailed analysis of the sub-categories within both Civil Legal Services and Criminal Legal Aid.

						2021-22
	Represen- tation Lower £000	Advice and Assistance £000	Represen- tation Lower (Children) £000	Represen- tation Higher £000	Exceptional Funding £000	Total £000
At 1 April 2021	987	1,807	7,883	84,661	10,996	106,334
Provided in the year	1,557	4,482	4,315	35,046	2,353	47,753
Re-measurement of opening balance	101	373	(1,506)	5,041	(966)	3,043
Provisions utilised in the year	(1,495)	(3,988)	(3,755)	(38,395)	(1,017)	(48,650)
Balance at 31 March 2022	1,150	2,674	6,937	86,353	11,366	108,480

12.1.1 Analysis of provisions by sub-categories (continued)

Civil legal services

	Represent- ation Lower	Advice and Assistance	Represent- ation Lower (Children)	Represent- ation Higher	Exceptional Funding	2020-21 Total
	£000	£000	£000	£000	£000	£000
At 1 April 2020	1,421	770	7,727	82,820	9,740	102,478
Provided in the year	1,615	4,216	4,785	32,816	1,506	44,938
Re-measurement of opening balance	(682)	496	(1,697)	992	1,169	278
Provisions utilised in the year	(1,367)	(3,675)	(2,932)	(31,967)	(1,419)	(41,360)
Balance at 31 March 2021	987	1,807	7,883	84,661	10,996	106,334

Criminal legal aid

	Magistrates Court	Crown Court	Appeals, Bail and Extradition	Court of Appeal Criminal Appeals	2021-22 Total
	£000	£000	£000	£000	£000
At 1 April 2021	11,433	36,484	671	2,480	51,068
Provided in the year	18,397	27,153	777	3,261	49,588
Re-measurement of opening balance	3,356	(3,965)	399	(480)	(690)
Provisions utilised in the year	(19,808)	(20,921)	(1,197)	(4,140)	(46,066)
Balance at 31 March 2022	13,378	38,751	650	1,121	53,900

Criminal legal aid

	Magistrates Court	Crown Court	Appeals, Bail and Extradition	Court of Appeal Criminal Appeals	2020-21 Total
	£000	£000	£000	£000	£000
At 1 April 2020	12,862	33,961	1,079	1,973	49,875
Provided in the year	12,179	15,106	554	5,068	32,907
Re-measurement of opening balance	(2,103)	5,055	(435)	(377)	2,140
Provisions utilised in the year	(11,505)	(17,638)	(527)	(4,184)	(33,854)
Balance at 31 March 2021	11,433	36,484	671	2,480	51,068

12.1.2 How the figures are derived

The Agency estimates the value of unbilled 'live' cases each year to arrive at the amounts disclosed as a provision within the financial statements. 'Live' cases are deemed to be those that are ongoing, based on the information available to the Agency, and within the statutory time limits. A provisions model is used to estimate the volume of cases and costs required to settle any obligations at the end of the reporting period.

Summary position

The legal aid provisions at the reporting date can be summarised as follows:

	2021-22		2020-21	
	Volume of cases	£000	Volume of cases	£000
Cases costed at an average cost	67,947	130,316	61,607	126,567
Cases costed where an average cost is not applicable	625	32,064	596	30,835
Total	68,572	162,380	62,203	157,402

Volumes

The Agency's new Legal Aid Management System (LAMS) came into operation on 1 July 2019. A feature of this new case management system includes auto-closure functionality, which closes cases when a set of predefined conditions have been satisfied including payment in full. This functionality is fully operational and helps maintain a cleansed volume of cases held on LAMS. As a result, the requirement for manual intervention and assumptions historically applied to the data reported from the system has reduced significantly.

A data management project team established in the previous reporting period continued to significantly cleanse the system of those cases which met the data migration rules however have been inactive since LAMS was introduced and in conjunction with their age profile.

An adjustment has been made to the volume reported from the system to reflect those cases which fall under the scope of this project team's work i.e. where a case has been inactive since LAMS inception and the case falls outside the lifecycles previously applied to the individual case nature.

12.1.2 How the figures are derived (continued)

Costs

There are two categories of costs applied to the volume of 'live' cases in LAMS at the end of the reporting period in order to calculate an estimated cost of the provision:

i. cases costed at an average cost

The provisions model extracts a volume of 'live' cases from LAMS per primary nature/matter and applies an average cost to each case to determine a provision value.

A system driven report generates an average cost from the volume and payment information of all completed and assessed closed cases held on LAMS.

ii. cases costed where an average cost is not applicable

The majority of legal aid provisions are estimated using LAMS volumes and average costs, however other case types have been separately reviewed. There are three categories of cases which require segregation for review as the average cost methodology above is not applicable:

- **Exceptional Funding (previously known as Statutory Exceptional Grant Payment Scheme)** - the Agency's Exceptionality and Criminal Authorities Team record and continuously monitor a list of Exceptional Funding cases. Each case is separately reviewed and costed by the Agency.
- **Exceptionality** - the Agency's Exceptionality and Criminal Authorities record and continuously monitor a list of Exceptionality criminal cases. Each case is separately reviewed and costed by the Agency.
- **Court of Appeal** - the Taxing Master provides a list of the cases currently held along with the associated claimed and assessed value. This is reviewed by the Agency and the liability is calculated using the information provided.

12.1.3 Judgements made by management

The determination of provisions remains a key area where management's judgement is required. There are a number of key assumptions applied in the calculation of the provisions which are detailed below:

- **average costs** - based on an analysis of historical payment values and volumes of closed cases, a series of average costs are calculated by primary nature within each legal aid level of service. This series of averages is then applied to the open certificate volume provided in line with the latest historical payment profile;
- **no report adjustments** - this relates to legal aid certificates and cases that are concluded with no report on case assessed for payment. These cases are within the closed case population and are excluded from calculating the average cost of a case. A percentage reduction is calculated based on an analysis of the volumes of historical closed cases with no reports. This is then applied to the open certificate volume provided; and
- **lifecycle of certificates** - an analysis of the reports authorised for payment, aged to the certificate granted date to determine a lifecycle per certificate within each business area of the LSA.

12.1.4 Uncertainties

Inactivity

The Agency introduced the new LAMS case management system on 1 July 2019. A phased approach was taken when introducing the system, which resulted in key functionality such as auto-closure and inactivity prompts not being activated initially. During the 2020-21 financial reporting period the auto-closure functionality was fully implemented. This has significantly cleansed the volume of cases held on LAMS and the accuracy of "live" cases reported by the system.

Further analysis of the volume has identified cases that met the initial rules of data migration but have been inactive since LAMS went live in summer 2019. The lack of activity may indicate that the case did not proceed or has been settled outside court and hence there may be no further liability to the fund. A project team was established to analyse these cases and communicate with suppliers to establish if an outstanding liability remains or the cases can be manually closed. This work has been significantly progressed during 2021-22 with many cases manually closed on LAMS.

Given the uncertainty regarding inactive cases, the following approach is taken for calculating provisions:

- where a case is identified as inactive and is also outside the lifecycles previously applied to cleanse volume i.e. it is older than the average case duration, the possibility that no further liability exists is considered higher and the case is removed from the provisions liability calculation; or
- where a case is identified as inactive but is within the lifecycles previously applied, the case is included within the provisions liability calculation.

12.1.4 Uncertainties (continued)

Reporting

The average costs are now fully calculated from the information held on closed cases on LAMS. A report has been developed which reviews all cases closed on the system and the value of any assessed payments. A substantial number of cases have now closed on the new system, and having analysed and tested the values produced from LAMS information the average costs are considered to be consistent and reasonable. As the dataset of historical payment information on closed cases continues to grow the average costs produced become more robust.

A suite of provision reports have been developed from LAMS which have improved and refined the provisions methodology. The new reports ensure that the data is driven directly from the system and manual intervention is kept to a minimum.

Timings

The timing of the payment of civil legal services and criminal legal aid is determined by when solicitors or counsel submit their final bill after a case has concluded. The timing of each submission is outside the direct control of LSA, but every effort is made to encourage legal representatives to submit their bills as expeditiously as possible. There is a statutory obligation for practitioners to submit claims within a three month time limit after the conclusion of the proceedings to which the criminal aid or civil legal services certificate relates or from the date the last legal advice and assistance was provided.

The Agency has power to extend the statutory time limit and to entertain a claim if there is “good reason” for the late submission or if there is not “good reason” the Agency may only extend time in “exceptional circumstances”. In this event, the relevant legislation also requires the Agency to consider whether it is reasonable in the circumstances to reduce the costs of cases if time is extended for exceptional circumstances.

Only a small proportion of provisions will be paid more than five years after the reporting date and given the underlying uncertainties and assumptions already applied to volumes and costs, the Agency has not discounted future cash flows disclosed in the financial statements.

12.2 Litigation claims: £0.356m (2020-21: £0.584m)

Provision has been made for legal costs associated with a number of Judicial Reviews and litigation cases brought against the Agency. The provision covers all known cases where it is considered that it is probable that the claim will be successful and the amount can be reliably estimated. The timing of the settlement of claims depends on the circumstances of each case.

The Court of Appeal (CoA) judgment from 17 June 2019 (PSNI v Agnew) determined that claims for Holiday Pay shortfall can be taken back to 1998. However, the PSNI has appealed the CoA judgment to the Supreme Court. The Supreme Court hearing was scheduled for June 2021 but this has subsequently been adjourned and re-listed for December 2022. The 2021-22 Holiday Pay provision has been estimated by NICS HR and covers the period from November 1998 to 31 March 2020.

There are still some very significant elements of uncertainty around this estimate for a number of reasons:

- the appeal to the Supreme Court (as detailed above);
- lack of accessible data for years previous to 2011;
- ongoing negotiations with Trade Unions; and
- obtaining relevant approvals.

13. Leases

Operating leases

£0.421m (2020-21: £0.421m) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2021-22 £000	2020-21 £000
Obligations under operating leases comprise:		
<i>Land and buildings</i>		
Not later than one year	140	421
Later than one year and not later than five years	-	140
Later than five years	-	-
Total	140	561

14. Capital commitments

	2021-22 £000	2020-21 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

15. Other financial commitments

The payments to which the Agency is committed are as follows:

	2021-22 £000	2020-21 £000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	-	-

16. Contingent liabilities

The Agency has contingent liabilities as defined within IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Unless otherwise stated, the amount of each contingent liability cannot be determined with sufficient reliability.

Statutory deductions

Leave to bring a Judicial Review has been granted in respect of the provisions of paragraphs 1(1) and 2(1) of Schedule 2 to the Legal Aid, Advice and Assistance (NI) Order 1981 which state that “The sums allowed to counsel/solicitor in connection with proceedings in the House of Lords, the Court of Appeal or the High Court, shall be ninety-five per cent, or such larger percentage as may be prescribed, of the amount allowed on taxation of the costs”. This effectively means that all civil cases funded by legal aid which are taxed attract this statutory deduction on the sum assessed by the Taxing Master.

The challenge is against the legislation so the Department/Agency will be defending the proceedings. The hearing in respect of this case has been postponed and the timing of the outcome is not known at this stage.

17. Related party transactions

The Agency is an Executive Agency of the Department of Justice. During the year, the Agency had various material transactions with the Core Department and Northern Ireland Courts and Tribunals Service (also an Executive Agency of the Department).

In addition, the Agency had various material transactions with other government departments and other central government bodies. Most of these transactions have been with the Department for Communities and Department of Finance.

No senior manager, Non-Executive Member or other related party has undertaken any material transactions with the Agency during the year.

18. Fraud and error measurement

The Agency administers legal aid payments on behalf of the DoJ. Fraud and error can arise within assessment and payment from three potential sources: official, applicant and practitioner.

It is not possible to reassess every case, hence LSA has developed sampling and testing methodologies to cover all three sources. A representative sample of cases is reviewed and the test results extrapolated in order to provide an estimate of the outcome within the full population. A level of statistical uncertainty, termed confidence limits, underpin the extrapolated estimates. The level of confidence within which the central estimates and range are produced is set at 95% which means the Agency can be 95% certain that the true value lies within the associated confidence intervals for each of the estimates produced.

Official fraud and error

An official is considered to be any member of LSA staff or any member of the wider justice structure, such as NI Courts and Tribunals Service staff recording the running of the case in court. Official error may result in an assisted person being incorrectly determined as being eligible or ineligible to receive legal aid and may result in the wrong valuation being made of the amount they can reasonably be expected to contribute to the overall costs of the case. It may also occur as a result of the incorrect calculation being made of the payment due to a supplier. Official error usually occurs as a result of an official not applying the specific rules correctly or not taking into account all the circumstances applicable to an individual. The complexity of the legislation, the degree of discretion and the inherent risks associated with adjudication, assessment and payment of bills contribute to the difficulties in administering and hence to inaccurate payments being made in a proportion of cases.

The Agency has developed a strategic relationship with the SAU within DfC, who undertake testing on behalf of LSA under a Memorandum of Understanding. NISRA statisticians are responsible for the selection of monthly samples of cases from the calendar year and official error is identified within the individual payments by SAU through a comparison of LSA action against legislation and policy.

The Agency has established a dedicated Compliance and Training Unit (CTU) to liaise with SAU in respect of the irregularities SAU detect and to provide any additional information requested. The Unit provides weekly management information for payments and senior management providing a breakdown of error by business activity/legal aid scheme deriving lessons learned to inform the interventions, process redesign and procedures to be adopted to address identified errors.

LSA's CTU assign a category to each of the official errors identified (including incorrect, deemed error and part deemed/part error cases) based on feedback from SAU monitoring officers who conducted the review of all sampled cases. Statisticians within LSA's Information Assurance Unit, then extrapolate the monetary value of total error and the error associated with each category.

18. Fraud and error measurement (continued)

Following legal advice received, only payments processed under The Civil Legal Services (Remuneration) Order (Northern Ireland) 2015 are deemed eligible for testing. Cases where the final assessment of remuneration is subject to taxation have therefore been excluded from testing from 2020 onwards as they do not fall under the remit of this legislation. This means that the sampling methodology applied against the 2019 year has been amended and the 2020 and 2021 official error estimates are not directly comparable with estimates from previous years.

The sample of cases reviewed for 2021 was increased to 911, against the sample of 695 cases conducted in respect of 2020. Covid-19 has continued to have an impact on SAU resources. The year end results for 2021 are set out below on the basis of the estimated monetary value of the error (MVE):

Category of Error - 2021	Including Deemed Errors ¹			Excluding Deemed Errors ¹		
	Estimated MVE	% of Total Estimated MVE	% of Total Expenditure	Estimated MVE	% of Total Estimated MVE	% of Total Expenditure
LSANI Assessor Error ²	£1,659,962	86.3%	3.7%	£1,665,939	98.5%	3.7%
Further information required from Legal Representative	£233,791	12.1%	0.5%	£0.00	0.0%	0.0%
Legal Aid Assessment Office (LAAO) Error	£18,063	0.9%	0.04%	£13,840	0.8%	0.03%
Amendment required to Remuneration Order	£12,650	0.7%	0.03%	£12,378	0.7%	0.03%
Total³	£1,924,466	100%	4.3%	£1,692,157	100%	3.7%

1. There can be more than one error identified within an individual case, including both overpayments and underpayments, and where this happens these errors are combined to calculate the total error within that particular case. On an individual case basis, overpayments and underpayments are netted which, while infrequent, can result in the total error for a case being greater when deemed errors are excluded, than when deemed errors are included. For example, if it was found that within one case an overpayment of £100 had been made incorrectly and a separate deemed error was also identified that resulted in a £50 underpayment, the total error for that case would be £50 (as the £100 overpayment and the £50 underpayment are netted). However, when deemed errors are excluded, the total error for the case would only include the £100 overpayment that was made incorrectly.

2. Estimated MVE includes errors identified by SAU in relation to Paragraph 15A (Schedule 1 of The Magistrates' Court and County Court Appeals (Criminal Legal Aid) (Costs) Rules (NI) 2009). Upon receipt of legal advice during the 2021 reporting year, it was agreed that going forward this would not be considered an error.

3. Totals may not sum due to rounding.

18. Fraud and error measurement (continued)

At year-end, deemed errors are applied in instances where SAU monitoring officers required further information to complete their review and determine the accuracy of the payment but it was not able to be provided by LSA prior to the pre agreed year-end reporting date. These results incorporate 66 cases where information requests had been made to practitioners but not been met. While LSA contacted practitioners and encouraged them to provide the information required, responses were not always received and were outstanding in a number of cases at assessment cut-off.

The Agency expects the error rate to reduce year on year as issues are identified and addressed. The improvement in control continues, interventions are identified and implemented. Procedures and guidance continue to be reviewed to ensure responses to error are included., There is a lag to the full impact of interventions, as a case selected for testing after such improvements may include earlier payments made before this change took effect and in such cases the error will remain valid. It is likely to be within future years testing that the benefits of such actions are fully recognised.

The error details were also used to estimate the MVE broken down by overpayments and underpayments. Estimates from 2019 to 2021 are set out in Section 6 of the Governance Statement.

In those cases in which SAU monitoring officers identified an actual underpayment or overpayment the Agency has a process to adjust the fees and make recoupments to address actual errors. No recoupment is made of deemed errors as the accuracy, or otherwise, of the payment cannot be proved due to the lack of information.

18. Fraud and error measurement (continued)

Applicant fraud and error

Applicant fraud and error derives from the assisted persons who is, or was, in receipt of legal aid funding.

The methodology for addressing applicant fraud and error was developed and agreed during 2019-20 and while testing work began in-year this had to be paused when SAU resources were redirected to benefits payment. Sampling is now incorporated within the 2020-21 MoU between LSA and SAU and the first samples were drawn from January 2021 with a view to providing an overall estimate for 2021 applicant fraud and error for inclusion within the 2021-22 Accounts (see Section 6 of the Governance Statement). Some elements of the testing were planned through home visits to the assisted persons but have had to be conducted remotely.

The Agency has also agreed the scope of SAU testing will include the ongoing financial eligibility of assisted persons. This work is termed Future Overpayment Prevention (FOP) and testing commenced in May 2022 (see Section 6 of the Governance Statement). The original model envisaged face-to-face visits but has been modified to telephone communication in light of Covid-19 restrictions.

While the year end results for 2021 are presented in Section 6, a breakdown on the basis of the estimated monetary value of the fraud and error (MVE) is shown below. Definitions of the categories of fraud and error applied in the following table are also provided.

Category of Fraud and Error - 2021	All Fraud and Error			Excluding Non-Compliance		
	Estimated MVE	% of Total Estimated MVE	% of Total Expenditure	Estimated MVE	% of Total Estimated MVE	% of Total Expenditure
Non-Compliance – No Contact	£502,879	38.0%	12.2%	-	-	-
Out of Scope	£250,652	19.0%	6.1%	£250,652	44.0%	6.1%
Non-Compliance – Verification	£249,749	18.9%	6.1%	-	-	-
Undeclared Capital	£208,295	15.8%	5.1%	£208,295	36.6%	5.1%
Missing LAO Casepaper(s)	£104,206	7.9%	2.5%	£104,206	18.3%	2.5%
Other Applicant Error	£3,111	0.2%	0.1%	£3,111	0.5%	0.1%
Contributions Error	£2,514	0.2%	0.1%	£2,514	0.4%	0.1%
Other Applicant Fraud	£292	0.02%	0.01%	£292	0.1%	0.01%
Total¹	£1,321,698	100%	32.1%	£569,069	100%	13.8%

1. Totals may not sum due to rounding.

18. Fraud and error measurement (continued)

Applicant Fraud: The assisted person experienced a change in circumstances during their case, but deliberately failed to report the change to LSANI at the time.

Applicant Error: The assisted person experienced a change in circumstances during their case, but failed to report the change to LSANI at the time; however, this change was reported to SAU during the review.

Contributions Error: Based on information provided, the amount of contribution calculated on the case was incorrect.

Missing LAAO Casepaper(s): LSANI was unable to provide the necessary LAAO casepaper(s) required to complete the review.

Non-Compliance - No Contact: The assisted person failed to respond to the request from SAU to engage with the process.

Non-Compliance - Verification: The assisted person initially responded to the request from SAU and engaged in the review before failing to provide verification of the information requested.

Out of Scope: Legal Aid have a set Upper Income Limit. If an applicant has a disposable income that exceeds this amount they are not entitled to Legal Aid and are deemed 'Out of Scope'. This is also referred to as Over Upper Income Level. For cases deemed to be 'out of scope', the applicants were not eligible for Legal Aid.

Undeclared Capital: The assisted person failed to declare capital savings, either as part of the initial application stage (means test) or at a subsequent point in time.

Practitioner fraud and error

Practitioner fraud and error arises from the actions of members of the legal profession who carry out legal aid work. As LSA assesses all applications and payments prior to approval much of the practitioner error is eliminated through this review process. LSA is developing reporting in order to identify the variance between claims and final assessments as one measure of practitioner error.

Work has also progressed on development of the practitioner counter fraud capabilities within the Agency. An initial draft practitioner methodology has been piloted for 12 weeks during late 2021 to 4 February 2022. The evaluation and learning from the pilot will be used to develop Agency interventions and procedures and SAU practitioner methodology from 2023.

When all methodologies are fully operational, they will provide a comprehensive estimate of fraud and error within the legal aid system in Northern Ireland.

19. Third-party assets

Recovery from damages awarded to funded clients may be required by the Agency to offset any liability to the Legal Aid Fund. The Agency places these funds on deposit in interest bearing bank accounts until the liability to the Fund, if any, is determined. Any remaining balance of the damages awarded is refunded once the liability to the Fund has been settled. The amounts retained to cover any shortfall to the Fund are recorded in income as 'Damages retained'. The movement on these third-party funds was as follows:

	2021-22 £000	2020-21 £000
At 1 April	111	125
Damages received	-	28
Interest received	-	-
	<u>111</u>	<u>153</u>
Less:		
Sums repaid to assisted persons	(77)	-
Damages retained	-	(42)
Balance at 31 March	<u>34</u>	<u>111</u>

These balances are not included within the Agency's assets as they do not belong to the Agency.

20. Events after the reporting date

There were no events after the reporting period date that required adjustment to or disclosure in these financial statements.

Date for authorisation of issue

The Accounting Officer authorised these financial statements for issue on 1 July 2022.

ANNEX A - GLOSSARY OF TERMS

Acronym	Details
ARC	Audit and Risk Committee
BSU	Business Support Unit
C&AG	Comptroller and Auditor General
CTU	Compliance and Training Unit
DEL	Departmental Expenditure Limit
DfC	Department for Communities
DoF	Department of Finance
DoJ	Department of Justice
FEU	Financial Eligibility Unit
HIA	Head of Internal Audit
HMRC	Her Majesty's Revenue and Customs
IAS	Internal Audit Services
KPI	Key Performance Indicator
LAO	Legal Aid Assessment Office
LAMS	Legal Aid Management System
LCI	Lower Confidence Interval
LSA	Legal Services Agency
MoU	Memorandum of Understanding
MVE	Monetary Value of Error
NEM	Non-Executive Member
NIAO	Northern Ireland Audit Office
NICS	Northern Ireland Civil Service
NISRA	NI Statistics and Research Agency
PAC	Public Accounts Committee
SAU	Standards Assurance Unit
SCS	Senior Civil Servant
SMT	Senior Management Team
TNA	Training Needs Analysis
UCI	Upper Confidence Interval
VFM	Value for Money

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Background

1. The Legal Services Agency Northern Ireland (LSANI) is an executive agency of the Department of Justice (the Department), responsible for administering legal aid in Northern Ireland.
2. I published a report on 21 June 2016, highlighting a range of concerns in relation to the management of legal aid. In addition to this, the Public Accounts Committee of the Northern Ireland Assembly also published two reports on the subject of legal aid in 2011 and 2017. The more recent of these contained five recommendations for improving the management of legal aid.
3. I have also qualified my audit opinions on the annual accounts of NILSC and LSANI since 2003 due to the lack of effective counter fraud arrangements and weaknesses in the financial estimates of provisions for legal aid liabilities in the annual accounts.
4. Whilst significant progress has been made by LSANI on these issues, particularly in terms of official error and provisions for legal aid liabilities, further work is needed to fully resolve them. Consequently, I am again qualifying my regularity opinion and my audit opinion on the 2021-22 financial statements of LSANI.

Purpose of the Report

5. I am required to examine, certify and report upon the financial statements prepared by LSANI under the Government Resources and Accounts Act (Northern Ireland) 2001. This report explains the background to my qualifications on the LSANI Account for the year ended 31 March 2022.
6. I have qualified my regularity opinion due to:
 - statistics produced by LSANI estimating that £1.0 million of overpayments and £0.9 million of underpayments of legal aid costs were made during the year due to official error (Paragraphs 11-15);
 - statistics produced by LSANI estimating that £1.3 million of payments of legal aid were made incorrectly during the year due to applicant fraud and error (Paragraphs 16-21);
 - limitations in the scope of my work as a result of insufficient evidence available to satisfy myself that material fraud and error by legal practitioners did not exist within legal aid expenditure (Paragraphs 22-27).
7. I have also qualified my opinion on the financial statements as a result of limitations on the scope of my work due to insufficient evidence available to support the assumptions, and judgements used, in the determination of £140.6 million out of a total year end provision for legal aid liabilities of £162.4 million as at 31 March 2022, and the resulting adjustments required to the annual legal aid expenditure (Paragraphs 28-35).

Qualified audit opinion on irregular legal aid expenditure

8. Since 2019, LSANI has engaged with the Department for Communities (DfC) to provide an estimate of the levels of fraud and error within legal aid expenditure.
9. In the past this work has only provided an estimate of errors made by officials, however this year a significant step forward has been made as it has also started to provide an estimate of applicant fraud and error. LSANI continues to work with DfC to develop a methodology that can estimate the levels of fraud and error within practitioner legal aid expenditure.
10. There are a number of reasons why legal aid expenditure may not be applied for the purposes intended by the Assembly or conform to the authorities which govern them:
 - Official error – where an error can be attributed to the actions or inactions of LSANI;
 - Applicant fraud and error; and
 - Legal practitioner fraud and error.

Official error

11. DfC's Standards Assurance Unit (SAU) selected a sample of 911 cases that closed between the period January 2021 to December 2021, and tested whether they had been processed in accordance with legislation. This information has then been used to estimate the level of official error in 2021-22 legal aid payments.
12. The results from this SAU work, as outlined in **Figure 1** below, has shown a very significant reduction in the levels of both overpayments and underpayments due to official error in 2021-22.

Figure 1: Levels of official error in legal aid payments

	2021-22 £million	2020-21 £million	2019-20 £million	2018-19 £million
Legal aid expenditure	99.7	80.3	98.7	84.3
Estimated level of overpayments due to official error	1.0	4.4	6.2	5.5
Estimated level of underpayments due to official error	0.9	1.2	2.1	0.4
Deemed errors ¹	0.2	1.6	2.5	4.9
Number of cases selected for testing by SAU ²	911	695	893	739

Source: LSANI Annual Report and Accounts 2018-19 - 2021-22

Overpayments are considered irregular as the expenditure has not been applied in accordance with the purposes intended by the Assembly. Underpayments resulting from official error are also considered to be irregular as the transactions have not been processed in accordance with the applicable legislation. Deemed errors are included within the over and under payments.

13. Therefore, in total the errors highlighted in **Figure 1** are considered to be incorrect and irregular. In relation to the types of error found, assessor error³ continues to account for the largest proportion of official error, including deemed errors, at 86.3 per cent⁴.
14. This year's results are positive, and provide evidence of a meaningful engagement taking place between the Agency and SAU. The Agency has told me that this close collaborative working between the parties, at all management levels, has deepened the understanding of the measurement methodology within the Agency and has reinforced a clear commitment at senior levels to reduce errors across all work streams.
15. I welcome these marked advances however remain cautious that the improvement in the official error rate needs to be maintained over several years. I therefore asked LSANI what actions it is taking to maintain this improvement and to bring down the error rate further. The Agency told me that this improvement reflects a number of steps and initiatives taken by the Agency to drive down incidents of official error. This includes the introduction of pre-payment quality assurance checks and full supervisory checks of high value payments. There is a

¹ Deemed errors - further information was required to reach a conclusion on the appropriateness of the payment. If this information subsequently becomes available an adjustment is made to the error calculation in the next quarterly report.

² The impact of Covid-19 resulted in DfC's SAU staff being redirected to front line benefits work in 2020-21, reducing the number of cases selected for testing.

³ Assessor errors are those identified in the work of LSANI staff during the assessment and payment of legal aid bills submitted.

⁴ Source: LSANI – Official error in legal aid payments 2021 - End of year report – 30 May 2022.

strong partnership relationship with SAU who provide routine feedback subsequent to testing. This feedback is reviewed, communicated and impacted to ensure appropriate corrective action is taken, through revised guidance and Quality Assurance checking at an individual level. The Agency has also recruited professionally qualified trainers. With the introduction of the Compliance & Training Unit, main threads of payment error are identified and Line Managers informed at all levels so the issue can be resolved through training or coaching.

Applicant fraud and error

16. Means tested legal aid carries a risk that legal aid is granted to individuals who are not eligible, for example if income details are misstated on the initial application, or if changes in financial circumstances that arise during the case are not reported by the applicant. LSANI therefore depends significantly upon third parties to verify the eligibility of legal aid applications.
17. In criminal cases, a judge decides upon eligibility following LSANI's checking as to whether an applicant is in receipt of the benefit they have stated, and the court's determination of the applicant's financial eligibility if not on a benefit. However, where there is doubt over the applicant's means or the merits of the case, the court has a legal obligation to resolve those doubts in favour of the applicant. Consequently, it is difficult to estimate how much of criminal legal aid is dependent upon an assessment of income or what benefits are being claimed. In civil cases, solicitors and LSANI assess eligibility. The complexity of civil legal aid schemes gives further scope for fraud or error in assessing eligibility.
18. My main concerns in relation to eligibility are:
 - there is an inherent level of fraud within the benefits system that could impact on legal aid payments, which applies to both civil and criminal legal aid; and
 - for applicants who are not in receipt of benefits, for example those employed or self-employed, assessments rely upon the declarations made in application forms with supporting documents such as payslips and accounts, in order to assess eligibility.
19. LSANI has invested considerable resources to develop a robust strategy to counter fraud and error in recent times. As referenced at paragraph 9, applicant fraud and error testing commenced in January 2021, with SAU sampling 500 cases that 'closed' during the period January 2021 to December 2021, and testing whether they had been processed in accordance with legislation. This information has then been used to estimate the level of applicant fraud and error in 2021-22 legal aid payments.
20. On the basis of this work, SAU estimated that around £1.3 million of legal aid payments were made incorrectly because of applicant fraud and error. It is notable, however, that a significant proportion of this error (56.9 per cent) was due to non-compliance i.e. the applicants had either not engaged at all or they had not provided the evidence requested by SAU.

21. In response to this issue of non-compliance, LSANI told me that the methodology to support the measurement of applicant fraud and error was agreed at the beginning of the 2021 financial year, although added that sampling and testing solely 'closed' cases did not provide incentive to applicants to provide evidence, which impacted on SAU's ability to establish financial eligibility. In such instances of non-compliance, SAU have deemed these cases to be an error, which might not be appropriate. To try and address the issue, the process has been refined further for the 2022 measurement process, with SAU agreeing to sample and test from ongoing / 'live' cases using Future Overpayment Protection (FOP) methodology. The Agency is seeking access to HMRC database to provide independent verification.

Limitation in scope arising from insufficient evidence that material legal practitioner fraud and error did not exist within legal aid expenditure

22. The nature of the legal aid scheme, in relation to making payments directly to legal practitioners for services provided to applicants, creates difficulties for LSANI in determining whether the services were appropriately provided to the applicant, and in turn, if overpayments have been made. Currently, LSANI does not produce an estimate of the likely scale of overpayments or underpayments made to legal practitioners resulting from fraud and error.
23. Under current legislation, LSANI does not have any powers to carry out inspections in the offices of legal practitioners involved in legal aid cases. This is a critical gap in their current counter fraud arrangements. The Access to Justice Order 2003 provided for the introduction of a Statutory Registration Scheme (SRS), which, whilst not a counter-fraud initiative per se, will provide LSANI with quality assurance powers that will enable it to inspect documentation in the offices of legal aid practitioners. This is an essential element of ensuring that publicly funded legal services deliver value for money and it is therefore disappointing that the scheme is still not in place some 20 years later after the legislative framework was established. Its continuing absence undermines LSANI's ability to implement a robust quality assurance process, particularly in relation to practitioner fraud and error.
24. More positively, the Department has recently made progress in bringing forward such a SRS for Legal Aid Practitioners in Northern Ireland. It is hoping to lay the primary legislation in the next Assembly mandate, which will enable LSANI to commence implementation of the scheme in 2023-24. I will continue to monitor this situation.
25. I also welcome the fact that a pilot scheme on practitioner fraud and error was undertaken by the Agency during the period October 2021 to January 2022. The aim was to help develop a review methodology which can be used to assess and detect the level of practitioner error and fraud in the legal aid system from January 2023 onwards (which will facilitate disclosure in the 2023-24 accounts). The concept within the pilot i.e. of randomly sampling practitioner files at pre-payment stage to verify the means, merits and accuracy of the payment, where applicable, appears robust. In time, it is the LSANI's vision that any newly introduced practitioner fraud and error assessment, will complement the SRS, and help drive efficiency in LSANI processes.

26. I note however that 21 per cent of files requested in this pilot scheme were not received from practitioners, and that just under 2 per cent of the files received were passed to the LSANI Counter Fraud Unit for further investigation. These statistics reinforce my view that LSANI has important work to do before it is able to implement a robust measurement methodology that practitioners will believe in and support.
27. I have therefore limited the scope of my audit opinion on the regularity of expenditure in 2021-22 because I have been unable to obtain sufficient audit evidence to conclude that a material amount of legal aid expenditure has not been claimed fraudulently or in error by legal practitioners.

Limitation in scope arising from insufficient evidence to support the estimate of provisions

28. Note 12 to LSANI's accounts includes a provision for obligations to settle costs incurred by the legal profession in providing legal advice and assistance to applicants that arise from the issue of certificates granting legal aid for specific cases. The provision is calculated as the best estimate of the expenditure required to settle the obligation, on a case by case basis, for work estimated to be associated with such cases. LSANI estimates the value of unbilled live cases each year and at 31 March 2022, this provision (split between Criminal and Civil cases) amounted to £162.4 million as outlined in Figure 2 below.

Figure 2: Provision for legal aid liabilities at 31 March

	2021-22 £million	2020-21 £ million	2019-20 £ million	2018-19 £ million	2017-18 £ million	2016-17 £ million
Criminal	53.9	51.1	49.9	44.6	39.5	47.2
Civil	108.5	106.3	102.5	91.2	96.2	98.8
Total	162.4	157.4	152.4	135.8	135.7	146.0

Source: LSANI Annual Report and Accounts 2016-17 - 2021-22

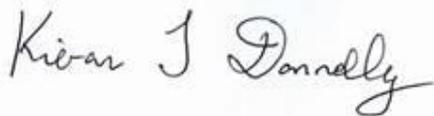
29. The Legal Aid Management System (LAMS) was introduced in July 2019, and has greatly enhanced the ability of LSANI to identify the relevant cases and provide underlying reporting from the system, so eliminating much of the intensive manual work which had been previously conducted.
30. A number of uncertainties still however exist and these are outlined in note 12.1.4 of the LSANI accounts. In particular, the data migration process from the old case management system to LAMS continues to cause some concern, primarily because large numbers that have migrated remain categorised as 'inactive'.

31. As a result, there may be cases that might be construed to have a potential future liability that do not, and at 31 March 2022 there are approximately 2,300 cases that have been recorded on the LAMS system as being 'inactive', that have a carrying value of £9.9 million (included as part of the total provisions figure of £162.4 million). There has been no activity on these cases since they were migrated to LAMS in 2019, so LSANI is currently working through each by writing to practitioners to ascertain the position for future years. Whilst significant progress has been made in addressing this part of the audit qualification in the last 12 months, this issue still needs to be resolved.
32. In addition, there continues to be a certain amount of volatility which has resulted in material re-measurements of certain categories of case within provisions, which appears to be due to significant changes in the average cost calculations for those categories. These annual re-measurements will always exist, but are likely to smooth in future years, and therefore be less of a concern, as more closed cases are factored into the average cost calculations.
33. Most legal aid provisions are calculated using LAMS (£130.3 million), however more complex cases are valued outside of LAMS (£32.1 million). Whilst I have sufficient assurance on the assumptions used to calculate £21.8 million of provisions valued outside of LAMS, I do not have sufficient audit assurance over average case costs applied in some of the more complex 'legacy' cases, which have increased from £10 million in 2020-21 to £10.3 million in 2021-22.
34. These estimates, both LAMS (£130.3 million) and outside of LAMS (£10.3 million), introduce an unacceptable level of uncertainty and error in a total of £140.6 million out of total legal aid liabilities of £162.4 million at 31 March 2022.
35. Significant work has been undertaken by LSANI to improve the provisions model and it is continuing to work at pace towards providing a reasonable estimation of future legal aid liabilities.

Conclusions

36. LSANI continues to work with DfC to estimate the levels of fraud and error related to legal aid and to develop an effective counter fraud strategy. In relation to official error, LSANI has estimated there to be £1.9 million of over and underpayments for legal aid, which was therefore irregular during 2021-22. This is a marked improvement on previous years and I hope this trend can be maintained. Applicant fraud and error has also been estimated for the first time at £1.3 million of payments, although I note that 56.9 per cent of this was due to deemed error through applicant non-compliance. There also continues to be no estimate available to determine practitioner fraud, although this measurement is expected to commence in 2023.

37. LSANI will be unable to finalise and embed its preventative and detective controls to protect public money until reliable figures are available across all of the categories of fraud and error. Whilst there has been significant work undertaken by LSANI over recent years there is still much to do given the significant amounts still involved. It is therefore important that this progress continues at the same pace as it has done up to now.
38. The Department and LSANI's use of the LAMS system for determining legal aid provisions provides a more robust estimation of legal aid liabilities as active case numbers are more accurate, and average costs for these are now calculated on the basis of fully paid closed cases. However, there are still important concerns that need to be addressed particularly around the provision for older cases and the consistency of average costs used in the provision calculations. I will continue to keep this under review.



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