



NORTHERN IRELAND
Legal Services
Commission

Annual Report and Financial Statements
For the year ended 31 March 2014

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Northern Ireland Legal Services Commission
Annual Report and Accounts for the year ended
31 March 2014

*Laid before the Northern Ireland Assembly under
Schedule 1, paragraph 15 (3) and Schedule 1, paragraph 17(5)
of the Access to Justice (Northern Ireland) Order 2003,
as amended by The Northern Ireland Act 1998
(Devolution of Policing and Justice Functions) Order 2010*

on
26 February 2015

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NORTHERN IRELAND LEGAL SERVICES COMMISSION

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Our Mission and Aim

The Commission will promote fair and equal access to justice in Northern Ireland in its provision of publicly-funded legal services.

Our aim is to provide high quality, customer focussed services that target those in greatest need and demonstrate value for money.

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Foreword

On behalf of the Northern Ireland Legal Services Commission (“the Commission”), we are pleased to present the Annual Report and Accounts for 2013/14 which record the operational and financial targets achieved in the year.

The Commission is a Non Departmental Public Body (NDPB) of the Department of Justice (DOJ) established under the Access to Justice (Northern Ireland) Order 2003.

The Commission’s role is to facilitate the provision of publicly funded legal services in keeping with the statutory legal aid schemes.

The Commission continued to deliver its services against a challenging background, including achieving an acceptable pay settlement for its staff which has been outstanding for a number of years. This position has now been resolved with approval of the required business case and pay remits. Payments to staff were made in April 2014. The Commission continued to work closely with its sponsor Department taking forward actions required to implement Ministerial decisions on the Access to Justice Review 2011 including preparations to move to Executive Agency status in Spring 2015. This involved consideration of important changes to legal aid policy and to the basic arrangements for the administration of legal aid services. There continued to be significant difficulties with the delivery of legal aid which were linked to funding arrangements. In year additional funding, connected to a shortfall in budgetary provision, had to be sought.

These challenges will continue in 2014/15 and the members and officials of the Commission are determined to respond positively and effectively to them.



R B Spence
Chairman



P Andrews
Chief Executive

Strategic Report

1. The Commission's Business

The Commission was established on 1 November 2003 through the commencement of certain articles in the Access to Justice (Northern Ireland) Order (AJO) 2003, and assumed responsibility for the administration of Legal Aid in Northern Ireland from the Legal Aid Department of the Law Society of Northern Ireland. Up until 2009/10 the Commission was a NDPB of the Northern Ireland Court Service (NICtS). On 12 April 2010 policing and justice functions in Northern Ireland were devolved to the Northern Ireland Assembly ("the Assembly") and the Commission became a NDPB of the DOJ. It is proposed that the Commission will become an Executive Agency within the DOJ in the Spring of 2015.

The Commission is responsible for applying statutory tests to determine whether an individual should receive civil legal aid and it also pays for the legal services provided. While the judiciary is responsible for granting individuals criminal legal aid, the Commission pays for the legal services provided. In addition to administering the legal aid scheme, the Commission was tasked with specific reforms to civil legal aid which are currently heavily focussed on securing court based resolution to issues. From November 2012 the overall responsibility for Legal Aid Reform was assumed by the DOJ. The DOJ has published an Action Plan to deliver projects in response to the recommendations in the Access to Justice Review. A Programme Board has been established to oversee and monitor the projects which have been put in place to deliver reforms. The Commission actively engaged in a number of these projects and is represented on the Programme Board. The Commission has also worked closely with its Sponsor Division within the DOJ on the reform of criminal legal aid.

The Commission will seek to provide demand-led access to the civil and criminal justice systems within its budget allocation. In 2013/14 the Commission and the Courts authorised some 90,500 approvals for assistance funded by legal aid. In 2012/13 the corresponding figure was some 99,700 approvals. This represents a drop in volume of cases of 9% year on year. The decrease in volume is attributable to a reduction in the volume of criminal legal aid certificates granted by the Courts and the instances of advice and assistance registered. Associated expenditures are discussed in the Operating and Financial Review starting at page 16.

2. The Board

The work of the Commission is currently overseen by a transitional Board of Commissioners. This arrangement is pending the appointment of a new Executive Agency Board planned for the Spring of 2015, when the Commission is scheduled to become an Executive Agency of the Department of Justice. The current Board Members below have experience in, or knowledge of, providing services in civil and criminal matters, the work of the courts, consumer affairs, social conditions, governance and financial accounting.

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The following members served on the Board during the year to 31 March 2014.

Mr Ronald Spence CB (re-appointed Chair for 12 months from 7 August 2013) - Current

Mrs Fiona Donnelly (re-appointed for 12 months from 7 August 2013) - Current

Mrs Hilary McCartan (re-appointed for 12 months from 7 August 2013) - Current

Mrs Gillian McGaughey (re-appointed for 3 years from 10 February 2012) - Current

Ms Breidge Gadd CBE (Vice-Chair, appointment expired 31 July 2013)

Mr Miceal McCoy (appointment expired 31 July 2013)

Mr Joseph Donnelly (appointment expired 31 August 2013)

Dr Jeremy Harbison CB (appointment expired 31 August 2013)

Mr Wilson Matthews (appointment expired 31 August 2013)

The Commission works to a Corporate Governance Framework which sets out the Commission's committee structure and Scheme of Delegation.

During 2013/14 the Commission continued to work through the oversight of the Board, Reform Committee and the Audit & Risk Committee. These Committees are chaired by members of the Commission and attended by Commission senior managers, as appropriate. A representative from the Sponsor Division of the DOJ at Deputy Director level also attends the Board and Committees. These Committees are charged with overseeing the operational, policy development and administrative functions of the Commission.

Additional panels and committees comprising independent legal representatives met in 2013/14: These comprised:

Appeals Panel

Special Committee

Fees Assessment Committee

Under the Legal Aid Advice and Assistance (Northern Ireland) Order 1981, Part II the primary roles of each panel are as follows:

Appeals Panel: to hear appeals against the refusal of legal aid certificates;

Special Committee: to decide on cases that cannot be dealt with by the Legal Aid Committee eg: an application for legal aid to judicially review a decision of the Appeals Panel; and

Fees Assessment Committee: to recommend fees where solicitors / counsel are dissatisfied with the fees initially assessed.

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3. Senior Executives

Mr Paul Andrews served as Chief Executive of the Commission during 2013/14. The day to day work of the Commission is managed by the Chief Executive and three Executive Directors.

4. Statutory Background

The Accounts of the Commission for the period ended 31 March 2014 have been prepared in accordance with paragraph 17 of Schedule 1 to the Access to Justice (Northern Ireland) Order 2003 as amended by Schedule 18, Paragraph 160 of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.

From the financial year 2012/13 onwards the Commission is required to keep combined financial statements for the Legal Aid Fund (the Grant) and for the operating income and expenditure of the Commission (the Grant-in-Aid). An Accounts Direction was issued by the DOJ in March 2013 requiring the Commission to present combined financial statements. Prior to 2012/13 the Commission prepared two separate accounts.

The financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM) issued by the Department of Finance & Personnel (DFP) and accounts directions issued by the DOJ. The accounting policies contained in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

The Commission is a body corporate as set out in paragraph 1 of Schedule 1 to the Access to Justice (Northern Ireland) Order 2003.

5. Principal Activities

The Commission provides publicly-funded legal services to help those people who need legal assistance to deal with problems that affect them most. Civil legal aid funds legal representation for people of small or moderate means who could not otherwise afford to litigate, provided that they can show sufficient cause for being party to proceedings, and it is not reasonable to expect them to proceed unrepresented. It also funds the provision of legal advice and assistance to eligible people either free at the point of service, or upon payment of a contribution. Criminal legal aid provides legal advice, assistance and representation to people who face criminal charges and funds legal advice from a solicitor at police stations. There are no contributions payable in respect of criminal legal aid.

The DOJ, through the Public Legal Services Division ("PLSD"), the Sponsor Body, funds the Commission.

The key activities of the Commission are:

- (a) considering applications for civil legal aid;
- (b) assessing bills for civil and criminal legal aid, including advice and assistance;

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- (c) working with the Department to develop and implement specific projects the reform projects contained in the Departmental Action Plan, and in conjunction with PLSD, implementing reforms of criminal legal aid;
- (d) making payments and reporting on the expenditure in relation to civil and criminal legal aid;
- (e) maintaining and developing the systems, procedures and relationships which support these key activities; and
- (f) administering an appeals function comprising:
 - an Appeals Panel dealing specifically with appeals against the refusal of civil legal aid; and
 - a Fees Assessment Committee advising on appeals against the assessment of bills for work done under civil legal aid.

In addition to the key activities above, the Commission continues to address and respond to the following issues:

- ongoing forecasting and related budgetary challenges;
- facilitating and responding to the Department's Reform Programme including consultative reports;
- responding to and monitoring the recommendations arising from the Public Accounts Committee (PAC); and
- implementing recommendations contained in the Criminal Justice Inspection report into Corporate Governance.

6. Legislative changes and directions during 2013/14

Legislative changes which are relevant to the day to day operation of the Commission have been much reduced in 2013/14, but included:

- The Access to Justice (Membership of the Northern Ireland Legal Services Commission) Order (Northern Ireland) 2013 - (SR 2013 No 214, made 08/08/13 and came into operation 01/09/13). This statutory ruling allowed the Commission to (a) reduce the minimum number of members, other than the Chair, from six to one, and (b) reduce the maximum number of members, other than the Chair, from ten to three.
- 1981 Regulations - (SR 2013 No 272)

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7. Research & Development

The Commission and DOJ have been engaged in preparations for the commencement of further articles in the Access to Justice (Northern Ireland) Order 2003 which provides the statutory basis for further reform of publicly-funded legal services in Northern Ireland.

In particular during 2013/14 the Commission continued to:

- (a) liaise with the Department to develop potential alternative arrangements for funding money damages cases under civil legal aid;
- (b) pursue the objective of establishing a statutory registration scheme for all legal practitioners. (In 2013, a pilot scheme operated for a number of firms who put themselves forward for a voluntary scheme in advance of the statutory scheme commencing); and
- (c) upgrade the Commission's IT systems in preparation for the replacement of the case management system.

8. Future developments

The Commission is working closely with its Sponsor in advancing Ministerial decisions on the implementation of the recommendations of the Access to Justice Review. Specific work which will continue arising from the following consultations:

- i) a public consultation on Safeguarding to Protect the Individuals Decisions on Granting of Civil Legal Aid was published by the DOJ in February 2013. The proposals follow on from the Access to Justice Review Report 2011, in which it was recommended that the status of the Commission should change from a Non Departmental Public Body to an Executive Agency of the DOJ. The responses to this consultation were considered by the Justice Committee on 20 June 2013.

The recommendation is that the Commission should cease to be a Non Departmental Public Body, and its responsibilities should transfer to a new Legal Services Agency Northern Ireland within the Department of Justice. This change requires primary legislation and a new Legal Services Agency Bill has commenced its passage through the Northern Ireland Assembly. Subject to the new legislation it is the Minister's intention that the Commission will close in the Spring of 2015, with its responsibilities transferring to a new Legal Services Agency Northern Ireland (LSANI) within the Department of Justice;

- ii) a consultation document on Membership of the Northern Ireland Legal Services Commission was issued in April 2013 proposing modifications to the structure of the Commission's Board whereby it would consist of a "Chair together with up to three prescribed members and three new independent Board members (IBMs)". The proposed change was taken forward "under the interim arrangement leading to the proposed change in the Commission's status." A copy of the draft amendment order to give effect to the proposed change formed part of the consultation document;

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- iii) Civil Legal Aid: the Commission worked with the DOJ on the implementation of the Departmental Access to Justice Report Action Plan during the course of the year. Work commenced on the preparation for the commencement of Civil Legal Services in keeping with agreed legislative timescales; and
- iv) the DOJ, through its budget process, has provided a budget allocation for the years 2013/14 through to 2014/15 under the current spending round. Current financial projections which have been presented to the DOJ indicate significant financial pressures in each of these financial years. The Commission is currently working with the DOJ to ensure that sufficient funding is secured so that the Commission's liabilities can be discharged. The Commission continues to support the programme of measures being delivered by the Department to ensure that going forward the Commission can live within its allocated budget.

9. Events after the reporting period

There were no events occurring after the reporting date that require disclosure. The Accounting Officer authorised these financial statements for issue on 11 February 2015.

10. International Financial Reporting Standards (IFRS) adoption

The Commission has prepared these accounts in compliance with the IFRS guidance issued by DOJ.

11. Equality of Opportunity

The Commission is fully committed to ensuring that there is equal opportunity of employment, and that individuals are recruited, trained and promoted on the basis of their ability, aptitude for the work and the requirements of the job. The Commission promotes equality of opportunity between:

- persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- men and women generally;
- persons with a disability and persons without; and
- persons with dependents and persons without.

The Commission is also committed to the promotion of good relations between persons of different religious belief, political opinion or racial group as set out in our Equality Scheme Action Plan, 'Promoting Good Relations'. On 27 February 2013, the Equality Commission agreed the Commission's Equality Scheme for the years 2011-2015.

12. Employee involvement

The Commission formally communicates and negotiates with its staff on issues and changes to terms and conditions of employment through the Joint Consultative and Negotiating Committee. This committee is made up of management and members of the Northern Ireland Public Service Alliance (NIPSA) which is the recognised Trade Union representing the interests of staff.

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Senior management meet regularly to address strategic and operational issues and to develop and monitor the Corporate Plan and Risk Register. Managers hold regular section and team meetings to communicate with staff, receive feedback, and give staff the opportunity to raise any issues for the attention of senior management.

During 2013/14 the Commission published regular staff bulletins, messages from the Chairman and briefings following senior manager meetings. These serve as a communications framework to deliver information to staff on a timely basis.

13. Training

In 2013/14 the Commission held 49 (2012/13: 59) training events which were attended by 69 staff and represented 78 (2012/13: 55) net training days. Through the corporate training plan the Commission identified the training which was required across the organisation and reduced the number of ad hoc training events. The Commission continued to facilitate a range of job-specific and general skills training, in addition to desk training, to enable staff to be fully effective in their roles. The introduction of a new IT platform in 2014 has provided the facility for staff to now undertake individual and corporate training and development via their computer terminals. Training has also been provided in preparation for the Commission's move to Agency status. Training opportunities have been utilised by all grades and across all directorates.

14. Health & Safety

The Commission 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 Commission has complied with the relevant legislation.

15. Managing attendance

During the year the level of absence due to sickness was 6.5% (2012/13: 5.4%). Days lost per employee were 16.2 compared to 13.4 in 2012/13. The Commission has worked continuously to reduce the level of days lost through sickness and absenteeism. The level of sickness was primarily due to a number of staff being on long term sickness.

16. Pension Schemes and Liabilities

The Commission contributes to the Northern Ireland Local Government Officers' Superannuation Scheme (NILGOSC), membership of which is optional for employees. In line with the requirements of International Accounting Standard 19 (IAS 19): Employee Benefits, the 2013/14 financial statements reflect the Commission's proportion of the pension deficit in the NILGOSC scheme.

Note 3.3 to the accounts reports a pension deficit for the NILGOSC scheme in 2013/14 of £96k and a service cost of £950k and administration cost of £10k. In 2012/13 the scheme recorded a deficit of £1,647k and service cost of £698k.

At 31 March 2014 the Commission retained an ongoing responsibility for a legacy pension scheme (the Law Society of Northern Ireland Retirement Benefits Scheme, the National Provident Life (NPI) pension scheme) which had transferred to the

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Commission on its establishment in 2003. The NPI scheme was established to provide pensions for staff of the Legal Aid Department but was closed to new entrants in 1998 when the majority of members transferred to the NILGOSC Scheme. On 12 April 2012, the Commission obtained approval from DFP to make a final payment of £2,488 to the National Insurance Contributions Office (NICO) under instruction from HM Revenue & Customs (HMRC), whereby the Commission was advised by their professional advisers that any further pension liability to the remaining members in the NPI Scheme would be removed. The Commission was advised by the Scheme Administrators in settling this liability. Subsequent to making the above payment, there has been a considerable delay in the professional advisers securing formal approval from HMRC to wind-up the scheme. The scheme was finally wound-up in June 2014.

Details of these pension schemes and the impact of applying IAS 19 are disclosed in note 3.3 to the accounts.

17. Going Concern

The Commission operates as a going concern, in spite of significant net liabilities in its accounts. The liabilities of the Commission relate to its obligation to pay legal costs against legal aid certificates issued. The Commission is financed from resources voted by the NI Assembly. 2013/14 was a challenging year in relation to funding pressures. The Commission received £31m of additional funding from the Department which enabled it to continue processing payments through to the end of the financial year.

Net creditors reduced by £3,048k compared to the prior year closing position as a result of additional funding being made available by the department at the year-end.

18. Non-current assets

The movement of non-current assets during the year is set out at notes 7 and 8 to the accounts. Additions to Property, Plant and Equipment (primarily fixtures & fittings) costs in year of £8k were comparable to a spend of £6k in 2012/13. There were £192k of additions in Computer Software costs, compared to nil in 2012/13. Increases in 2013/14 were the result of the Commission's Managed Services Contract which included a substantial upgrade to its IT platform and infrastructure.

19. Prompt Payment

With respect to its operating costs, the Commission aims to pay all properly rendered invoices in accordance with the terms of the relevant contracts or within 10 days. Reviews conducted to measure how promptly the Commission paid its bills under the new Account NI regime found that 80% (2012/13: 99%) of all properly rendered bills (excluding payments of programme costs) were paid within this standard. Payments of programme costs are exempt from the Better Payment Practice Code.

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20. Receipts

Applicants for civil legal aid funding may be required to make a contribution towards their legal costs. Generally, these are paid in instalments. These contributions by assisted persons are included with other non-trading income at note 6 in the financial statements.

Under Article 12 of the Legal Aid, Advice and Assistance (Northern Ireland) Order 1981, the Commission has a first charge on money or property recovered or preserved during civil proceedings for which a certificate has been issued, where the expenditure incurred on legal aid exceeds any contributions made and costs paid.

21. Charitable Donations

As a public body, the Commission has not made any charitable donations in 2013/14. (There were no donations in 2012/13).

22. Board Member Responsibilities

The responsibilities of Board Members are set out in the Management Statement which was issued by the DOJ in May 2012. Members have corporate responsibility for ensuring that the Commission operates within any statutory requirements for the use of public funds.

23. Auditors

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland ("C&AG"), who heads the NIAO and is appointed by statute and reports to the Assembly. The C&AG certificate is provided at pages 39-41 and his report on the Accounts is at pages 77-83.

The estimated audit fee for the audit of the 2013/14 financial statements is £60,000 (2012/13: £60,000).

The C&AG may also undertake other statutory activities that are not related to the audit of the body's financial statements, such as VFM reports.

24. Disclosure of Audit Information

So far as the Accounting Officer is aware, there is no relevant audit information of which the Commission's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to be aware of any relevant audit information and to establish that the Commission's auditors are aware of that information.

25. Risk Management and Register

Operational and project risks are managed and reviewed by departmental managers as part of normal business activity and as part of quarterly Stewardship Statement reporting. Supporting departmental risk registers, project risk logs and a Corporate

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Risk Register is maintained, with the Commission's corporate risks managed and reviewed by senior management and the Board. Oversight is exercised by the Audit & Risk Committee and the Board in line with the Commission's Risk Management Policy and internal review procedures.

26. Statement on Information Risk

The Commission continues to monitor and assess potential information security risks through a formal framework of risk management, information asset registers, quarterly Information Asset Owner (IAO) reporting, security incident reporting and oversight by the designated Senior Information Risk Owner (SIRO). The Commission has continued to improve alignment of its information assurance policies and procedures with that of the Department. It has also developed much stronger links with DOJ Security Branch through membership of the Departmental Security Manager's Forum. All new staff receive information security awareness training as part of their induction and ongoing information security awareness sessions are undertaken for all existing staff. There were no incidences of loss of information assets or personal data during 2013/14 which require to be reported to the Information Commissioner's Office.

27. Commission Members' Interests

Details of company directorships and other significant interests held by Commission members are set out within the related party disclosures at note 20 in the accounts. The Commission maintains a Register of Interests for senior management and Commissioners which is updated as required and in addition, any conflicts of interest are declared by the Board members at each meeting. Access to the Register of Interests may be gained by contacting the Secretary to the Commission.

28. Environmental & Sustainability Initiatives

The Commission remains committed to securing services that are environmentally friendly, to procuring goods which can be recycled where possible and to employing business processes which have a minimal environmental impact. The Commission now issues a significant amount of correspondence electronically and plans to increase this in the future. All staff are being connected to network printers to permit both electronic scanning of documents and duplex printing for any physical copies that are required. The recycling of significant numbers of printer and copier toner cartridges also provides an example of this ongoing commitment. During the reporting period, the Commission continued to use the government recycled waste contractor for collection of all recyclable waste including glass, paper, cardboard, plastics and metals. The Commission has also provided appropriate data in support of the Carbon Reduction Commitment (CRC) initiative led by the DOJ.

29. Social and Community Issues

The Commission continues to develop and implement a communications strategy in support of the reform programme, focussing on the needs of the public, suppliers of legal services and other key stakeholders.

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

- simplified and transparent financial eligibility framework;
- a registration scheme for providers of legal services; and
- arrangements for managing money damages cases.

In addition, the Commission continues to support a range of projects which are being taken forward by the DOJ.



Paul Andrews

Chief Executive and Accounting Officer

Date 30 January 2015

Operating and Financial Review

1. Funding

In order to achieve the Commission’s financial objectives for 2013-14, a combination of business planning, budgetary monitoring and control systems operated throughout the Commission. Cost pressures during the year were met by the reprioritisation of budget allocations, effective cost control at directorate level and recycling of efficiency savings into programmes. The Commission developed its risk management approach to business planning, which incorporated financial and other risks into the planning and performance management framework. The risk management arrangements are described more fully in the Governance Statement which forms part of these accounts.

The Commission is resourced by funds approved by the Assembly through the latest comprehensive spending review. Funding in 2013/14 was channelled to the Commission by DOJ through its Sponsor Division.

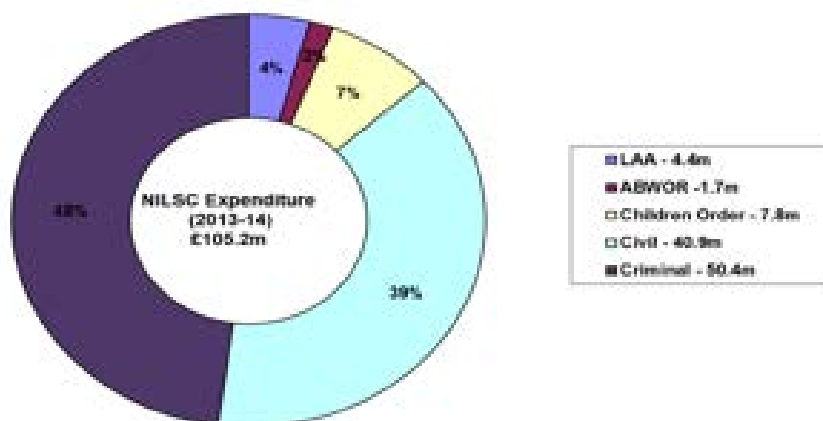
2. The Commission’s Budget

Cash Funding

On a cash basis, total expenditure for the Commission for the year to 31 March 2014 was £111,696k. Legal aid cash expenditure on the Fund was £105,174k with a movement of £29k in the bank balances. The Commission received funding from the Department of £103,943k with a further £1,260k self-funded from contributions. The remaining cash expenditure of £6,522k related to administration costs, of which the Commission received funding from the Department of £6,511k with a movement of £11k in the bank balances.

The subsequent table demonstrates the gross cash expenditure in 2013/14 across the legal aid categories.

Legal Aid Fund Expenditure



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Financial Statements

The basis of the preparation of the financial statements (resource position) results in accounting adjustments to the cash position; which includes depreciation, notional costs, accruals, provision movements and prepayments.

Legal aid expenditure is provided for within the financial statements and reflects a best estimate of the amounts required to settle a liability for work completed at the year end, but not yet billed. Expenditure relating to legal aid provisions is charged to the Statement of Comprehensive Net Expenditure in the year in which the obligation arises.

The Statement of Comprehensive Net Expenditure in the year on page 42 shows a net cost of operations of £110,676k (2012/13 £98,177k) of which £102,420k (2012/13 £91,654k) relates to legal aid expenditure which has been provided for.

The operating expenditure table below shows both the cash and resource positions for legal aid expenditure during the year and the civil category includes Law Centre (NI) part funding of £92k and Housing Rights Service funding of £65k.

Operating expenditure 2013/14 and 2012/13

	Resource 2013/14	Resource 2013/14	Cash 2013/14	Cash 2013/14	Resource 2012/13	Resource 2012/13	Cash 2012/13	Cash 2012/13
LAA	£4.1m	4%	£4.4m	4%	£4.6m	5%	£3.7m	4%
ABWOR	£1.7m	2%	£1.7m	2%	£2.1m	2%	£1.7m	2%
Children Order	£9.3m	9%	£7.8m	7%	£10.3m	11%	£7.7m	8%
Civil	£41.6m	40%	£39.6m	38%	£43.8m	48%	£34.2m	36%
Criminal	£45.9m	45%	£50.4m	49%	£31.0m	34%	£47.3m	50%
	£102.6m**	100%	£103.9m*	100%	£91.8m	100%	£94.6m	100%

* The increase in the cash expenditure of £9.3m was principally attributable to the release of the trade creditor's balance being brought forward from 2012/13.

** The increase in the resource expenditure of £10.8m was attributable to a movement in provisions.

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3. Operating Performance in the Year

The funding received from the DOJ is used in a variety of ways. There are 5 main strands of legal aid which cover both civil and criminal cases. Outlined below are the various ways in which legal advice, assistance and representation is provided under the existing legal aid scheme; namely:

(a) Legal Advice and Assistance (LAA)

This scheme is popularly known as the “Green Form” scheme and allows an individual to obtain legal advice from a solicitor on a point of Northern Ireland law. This scheme requires the individual applicant’s financial eligibility to be assessed by a solicitor and can involve the applicant paying a contribution. While it covers a significant volume of cases, there were some 38,000 acts of assistance in 2013/14 (42,300 in 2012/13), and the average costs are relatively small.

(b) Assistance By Way of Representation (ABWOR)

This is an extension of the Advice and Assistance scheme and allows the solicitor to institute proceedings on behalf of the assisted person in court (normally civil matters or matters relating to children). This scheme involves individual applicant’s financial eligibility being assessed and can involve the applicant paying a contribution. There were some 3,600 acts of assistance in 2013/14 (3,800 in 2012/13).

(c) Children Order

This is a form of ABWOR dealing exclusively with cases brought under the Children Order primarily in the Family Proceedings Court. This scheme involves individual applicant’s financial eligibility being assessed and can involve the applicant paying a contribution. There were some 7,900 acts of assistance in 2013/14 (8,200 in 2012/13).

(d) Civil Legal Aid

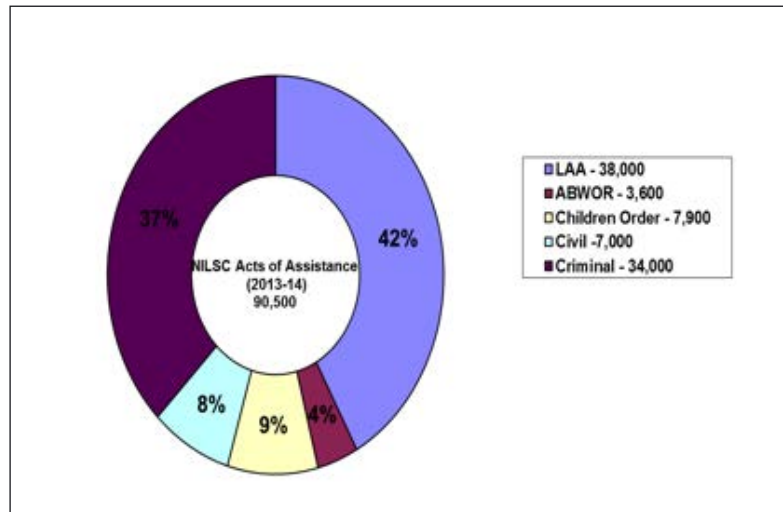
Civil Legal Aid provides legal representation in civil court proceedings, primarily in the County Court and High Court. Civil Legal Aid allows someone to obtain legal representation by a solicitor and barrister, either to bring or to defend a court case. This scheme involves individual applicant’s financial eligibility being assessed and can involve the applicant paying a contribution. There were some 7,000 acts of assistance in 2013/14 (8,400 in 2012/13).

(e) Criminal Legal Aid

Criminal Legal Aid provides free legal representation by a solicitor and barrister to defend someone charged with a criminal offence in the Magistrates’ Court or the Crown Court. An individual’s financial eligibility is assessed by the judiciary who grant criminal legal aid if the applicant’s means are insufficient to fund their own defence and it is in the interests of justice that the applicant receives free legal aid. There were 34,000 acts of assistance in 2013/14 (37,000 in 2012/13).

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The table below provides the volume of acts of assistance in 2013/14 and 2012/13.

Volume of Acts of Assistance in 2013/14 and 2012/13				
	2013/14	2013/14	2012/13	2012/13
LAA	38,000	42%	42,300	43%
ABWOR	3,600	4%	3,800	4%
Children Order	7,900	9%	8,200	8%
Civil	7,000	8%	8,400	8%
Criminal	34,000	37%	37,000	37%
	90,500	100%	99,700	100%

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4. Business Performance

The financial year 2013/14 is the tenth full year since the Commission came into existence. The Business Plan for 2013/14 contained two primary Service Performance Standards:

- i) determination of new applications; and
- ii) determination of new appeals:

Service Performance Standards:

The commentary below focuses on progress made against the two key standards mentioned above. These standards are supported by a series of operational performance targets which are monitored internally.

Determination of new applications for civil legal aid from registration

The Commission recognises that during 2013/14 actual performance for the determination of new applications fell short resulting in non-achievement of the overall target at year end. The main contributing factors have been the need for continual review and scrutiny of the quality of civil legal aid applications submitted, the high instance of emergency applications which have to be given priority and the volume of means assessments, which are required before applications can be adjudicated upon. These means assessments are undertaken by the Legal Aid Assessment Office (LAAO) of the Northern Ireland Social Security Agency. The Service Level Agreement (SLA) with the LAAO has been reviewed and a revised draft has been agreed.

Approximately 35% of applications have had to be returned to the applicant and their solicitor as they are incomplete or inadequate.

Determination of new appeals against the refusal of civil legal aid from the date of receipt

The actual performance for determination of appeals against refusals of civil legal aid also fell below the target performance set for the financial year in the Business Plan.

Historically the Commission has experienced a high level of appeals against the refusal of civil legal aid where the initial decision not to grant legal aid is taken by staff. The Commission recognised that in the absence of a radical review of the arrangements for handling of civil legal aid appeals it would be extremely difficult to eradicate the existing backlogs in year and at the same time achieve and maintain the required level of service.

In an effort to address the growth in civil legal aid appeals the Commission has taken steps in year to increase the number of Appeal Panel meetings to reduce the volume of appeals awaiting decision. It is also working with the Department to establish new Appeal arrangements once the function transfers to an Agency.

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Decisions	Target performance	Actual performance as at 31/03/14	Comments
Determination of emergency applications and non-means / no-merits Children Order proceedings from date of receipt.	90% within 3 days	94%	<i>Achieved</i>
Determination of new applications for civil legal aid from registration.	80% within 6 weeks	55%	<i>Not Achieved</i>
Listing of appeals against the refusal of civil legal aid from date of receipt. Current arrangements Revised arrangements	75% within 30 weeks(i) 85% within 20 weeks(ii)	38%	<i>Not Achieved</i>

Payments	Target performance	Actual performance as at 31/03/14	Comments
Authorisation of Taxation Certificates for payment from date of receipt	75% within 4 weeks	38%	***
Authorisation of standard fees for payment from date of receipt Covers: *Criminal cases; Civil cases, Civil Taxed cases, Civil Article 3 cases, certain LAA fees	75% within 4 weeks	47%	
Authorisation of non-standard fees for payment from date of receipt Covers: **ABWOR, certain LAA fees; LAA PACE and Children Order cases.	75% within 12 weeks	41%	
Payments (Legal Aid Fund) from date of authorisation	95% in 7 working days	91%	<i>Slight shortfall on target</i>

* Covers a) Civil cases; b) Civil Taxed cases; c) Civil Article 3; d)LAA (certain fees only); e) Criminal Crown Court 2005 and 2011 rules; f) Criminal Magistrates Court 2009 rules.

** Covers a) ABWOR; b) LAA (certain fees only); c) LAA PACE; d) Children Order

*** The Commission applied the above payment targets from 1 April 2013 but actual performance reflected the availability of funding.

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Remuneration Report

Remuneration Policy

Unless otherwise stated below, officials employed by the Commission hold appointments which are open-ended until they retire. Staff members are appraised annually against a set of competencies and individually targeted objectives. In the financial year to 31 March 2014, Board members' remuneration was determined by the DOJ.

Committee Members

Committee members are remunerated for time spent on Commission duties. They receive fees and reimbursements of expenses only, with no pension contributions and no other benefits. Committee members form a pool of advisors that support corporate governance and independence of decision making by the Commission in respect of the provision of Legal Aid. Their primary purpose is to service the appeals function within the Commission. At 31 March 2014, 25 Committee members were involved in providing professional input across a range of the Commission's activities, which covered both civil and criminal cases. The following panels and committees (composed of Committee Members) operated in 2013/14:

- Civil Appeals Panel - (to hear appeals against the refusal of legal aid certificates)
- Special Committee - (to decide on cases that cannot be dealt with by the Legal Aid Committee eg: an application for legal aid to judicially review a decision of the Appeals Panel)
- Fees Assessment Committee - (to recommend fees where solicitors / counsel are dissatisfied with the fees initially assessed)

Other panels and committees now composed entirely of Commission staff included:

- 1992 Rules Panel
- Criminal Review
- Criminal Exceptionality
- Statutory Exceptional Grant Payments (SEGP)

Commissioner Salaries

During 2013/14, the basic remuneration for the post of Chairman was £40,000 to £45,000. In 2013/14 basic remuneration for Commissioners was in the range £10,000 to £15,000.

Benefits in Kind (Commissioners)

The monetary value of benefits in kind paid to Commissioners covers any benefits provided by the Commission and treated by HMRC as a taxable emolument. Approved expenses on Commission business include, approved mileage claims, parking, taxis, flights, trains and accommodation. Commissioners do not receive any pension entitlement from their role within the Commission.

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Commissioners (AUDITED INFORMATION)

Total remuneration for Commissioners during the year (excluding Employers NIC) is given below.

Commissioners	Appointment dates	2013-14		2013-14		2012-13		2012-13	
		£'000	£	£'000	£	£'000	£	£'000	£
		Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)	Salary	Benefits in kind (to nearest £100)
Mr Ronald Spence CB	Appointed 28 July 2003; Re-appointed 7 August 2013 (Chairman from 13th September 2010)	40-45	1,700	45-50	2,500				
Mrs Fiona Donnelly	Appointed 1 September 2006; Re-appointed 7 August 2013	10-15	100	10-15	0				
Ms Hilary McCartan	Appointed 1 September 2006; Re-appointed 7 August 2013	10-15	200	10-15	100				
Mrs Gillian McGaughey	Appointed 10 February 2009; Re-appointed 10 February 2012	10-15	0	10-15	0				
Ms Breidge Gadd CBE	Appointed 28 July 2003; Appointment expired 31 July 2013	0-5	0	10-15	0				
Mr Miceal McCoy	Appointed 28 July 2003; Appointment expired 31 July 2013	0-5	800	10-15	1,500				
Mr Joseph Donnelly	Appointed 1 September 2006; Appointment expired 31 August 2013	0-5	500	10-15	1,000				
Dr Jeremy Harbison CB	Appointed 28 July 2003; Appointment expired 31 August 2013	0-5	0	10-15	0				
Mr Wilson Matthews	Appointed 1 September 2006; Appointment expired 31 August 2013	0-5	200	10-15	800				

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Chief Executive and Directors Remuneration (AUDITED INFORMATION)

Details are given below of total remuneration which includes salary and pension benefits of the Chief Executive and other directors for the period 1 April 2013 to 31 March 2014 with comparative figures from the previous financial year. There were no bonuses or benefits in kind.

Name and title	2013-14 Salary £'000	Pension Benefits (to nearest £1,000) £'000	Total (to nearest £1,000) £'000	2012-13 Salary £'000	Pension Benefits (to nearest £1,000) £'000	Total (to nearest £1,000) £'000
Mr Paul Andrews, Chief Executive	75-80	19	95-100	75-80	16	95-100
Mrs Josephine Kelly, Director of Corporate Services to 31/10/2013	40-45	12	50-55	60-65	11	70-75
Mrs Sheila McPhillips, Director of Civil Legal Aid	55-60	2	60-65	55-60	22	80-85
Ms Jill Herron Director of Criminal Legal Aid	60-65	4	60-65	60-65	2	60-65
Mr Gary Archibald Director of Corporate Services from 01/12/2013	20-25 (60-65 on annual basis)	(6)	20-25	N/A	N/A	N/A
Band of Highest Paid Director's Total Remuneration	75-80k			75-80k		
Median Total Remuneration	£18,127			£18,127		
Ratio	4.4			4.3		

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 or any increase or decreases due to a transfer of pension rights.

Ms Jill Herron (on secondment from the DOJ) was appointed as Director of Criminal Legal Aid from 4 July 2011. Salary costs are being met by DOJ and recharged to the Commission on a monthly basis. Ms Herron's contract is for a two year period with a possible one year extension. An annual charge in the band £60k to £65k was incurred for 2013/14. In addition, National Insurance Contributions, Pension and VAT were levied.

Mr. Gary Archibald was appointed to the role of Director of Corporate Services on 20 November 2013, on secondment from DOJ. Salary costs are being met by DOJ and recharged to the Commission on a monthly basis. An annual charge in the band £60k to £65k (pro-rata) was incurred from 20 November 2013 in 2013/14 accounts. In addition, National Insurance Contributions, Pension and VAT were levied.

Salaries of Chief Executive and Directors

'Salary' includes gross salary, overtime and any other allowances to the extent that they are subject to UK taxation.

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The Commission is required to disclose the relationship between the remuneration of the highest paid director in the organisation and the median remuneration of the organisation’s workforce.

The banded remuneration of the highest-paid Director in the Commission in the financial year 2013/14 was £75-80k (2012/13: £75-80k). This was 4.4 times (2012/13: 4.3 times) the median remuneration of the workforce, which was £18,127 (£2012/13 £18,127). In 2013/14, no employees received remuneration in excess of the highest paid Director. Remuneration ranged from £5-10k (part year) to £75-80k (2012/13 £10-15k to £75-80k).

Total remuneration includes salary and any bonuses or benefits-in-kind, which were Nil. Pension benefits are to be advised by the pension administrator and will be incorporated when known. Seconded staff pension disclosures are not included as they do not belong to the NILGOSC pension scheme.

The average number of staff employed (including secondees) reduced from 142 in 2012/13 to 137 in 2013/14 with the median salary cost unchanged at £18,127. There was no change in the remuneration of the highest paid Director.

Benefits in Kind

The Chief Executive and Directors did not receive any taxable benefits in kind.

Pension Benefits [AUDITED INFORMATION]

Details are given below of the pension benefits of the Chief Executive and Directors.

Name and title	Accrued pension at pension age as at 31/3/14 and related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV at 31/03/14 or date of leaving	CETV at 31/03/13 or date of joining	Real increase/ (decrease) in CETV after adjustment
	£'000	£'000	£'000	£'000	£'000
Mr Paul Andrews, Chief Executive	0-5 plus 0 related lump sum	0-2.5 plus 0 related lump sum	68	50	16
Mrs Josephine Kelly, Director of Corporate Services	5-10 plus 10-15 related lump sum	0-2.5 plus (0-2.5) related lump sum	122	112	8
Mrs Sheila McPhillips, Director of Civil Legal Aid	25-30 plus 70-75 related lump sum	0-2.5 plus 2.5-5.0 related lump sum	642	605	21
Ms Jill Herron Director of Criminal Legal Aid	25-30 plus 80-85 related lump sum	0-2.5 plus 0-2.5 related lump sum	531	497	2
Mr Gary Archibald Director of Corporate Services	30-35 plus 95-100 related lump sum	(0-2.5) plus (0-2.5) related lump sum	696	694	(6)

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Pension Benefits

The pension benefits of the Chief Executive and two of the Directors are provided through the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC Scheme). This is a funded scheme which provides benefits on a 'final salary' basis at a retirement age of 65 years (as at 31 March 2014). Benefits accrue at the rate of 1/80th of pensionable salary for each year of service to 31 March 2009 and 1/60th of pensionable salary for each year of service from 1 April 2009. The Commission's directors that contribute to the NILGOSC scheme do so at the percentage rate applicable to their pensionable earnings. Additional information is contained within note 3.3 to the Accounts entitled 'Pension costs'.

The actuarial factors used in the CETV calculation were changed during 2010/11, due to changes in demographic assumptions and the move from Retail Price Index (RPI) to the Consumer Price Index (CPI) as the measure used to update the Commission's pensions.

Two Directors who are on secondment from the DoJ retain membership of the "Classic" Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)). This is a funded scheme which provides benefits on a "final salary" basis at a retirement age of 60 years (as at 31 March 2014). Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. The Commission's Directors that contribute to the PCSPS (NI) scheme do so at the percentage rate applicable to their pensionable earnings.

The Cash Equivalent Transfer Value (CETV)

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 other pension details, include the value of any pension benefit in another scheme, and 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 within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction of benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The Consumer Price Index (CPI) is used to calculate the impact of actuarial factors in the CETV calculation, as the measure used to update the Commission's pensions.

The real increase in the value of the CETV

This reflects the increase in CETV funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee

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(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.

Compensation and Exit Packages awarded to Staff

There were no compensation scheme payments or exit packages provided in the financial year 2013/14 or in the previous year.



Paul Andrews

Chief Executive and Accounting Officer

Date 30 January 2015

Statement of Accounting Officer's Responsibilities

In accordance with paragraph 17 of Schedule 1 to the Access to Justice (Northern Ireland) Order 2003, as amended by paragraph 160 of Schedule 18 of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010, the Northern Ireland Legal Services Commission ("the Commission") is required to prepare a statement of accounts in the form and on the basis determined by the Department of Justice (DOJ). The accounts are prepared on an accruals basis and must give a true and fair view of the state of the affairs of the Northern Ireland Legal Services Commission and of its income and expenditure, changes in Taxpayers' Equity 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 the DOJ 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, and
- prepare the financial statements on the going concern basis,

The Accounting Officer of the DOJ has designated the Chief Executive as the Accounting Officer of the Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Commission's Assets, are set out in the Accounting Officer's Memorandum in "*Managing Public Money Northern Ireland*", issued by the Department of Finance and Personnel (DFP).

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Governance Statement

The Governance Statement for the 2013/14 accounts below, has been prepared in compliance with DAO (DFP) 06/13 and the Commission complies with the Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013.

Scope of Responsibility

The Northern Ireland Legal Services Commission (“the Commission”) is a Non Departmental Public Body (NDPB) of the Department of Justice (“the Department”), sponsored by the Public Legal Services Division (PLSD) of the Department’s Access to Justice Directorate. The relationship between the Commission and its sponsor is formalised in an agreed Management Statement and Financial Memorandum and supported by additional guidance and direction as issued.

The Commission is responsible for applying statutory tests to determine whether an individual should receive civil legal aid and then it pays for the relevant legal services provided. While the judiciary is responsible for granting criminal legal aid, the Commission pays for the legal services provided. In addition to administering the legal aid scheme, the Commission is tasked with supporting the sponsor in its work to reform civil and criminal legal aid. The scope of the work undertaken by the Commission and the objectives set for each business area are contained in the annual Business Plan as approved by the Department.

The Commission is also heavily involved in a number of reform projects within the Access to Justice Reform Programme.

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

Purpose of the Governance Framework

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

The Board considers that, recognising its status as an Arm’s Length Body: it complies with all the key principles of the Corporate Governance Code in terms of its composition, leadership, remit, accountability and risk management. The Board introduced a revised Risk Management Policy on 11 March 2013 and ensures 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 committee meeting begins with a formal declaration (and record) that attendees have no conflict of interest. Good practice is complied with as representatives from the sponsor Department are invited as observers to attend all Board, Reform Committee and Audit & Risk Committee meetings. This arrangement helps to better inform discussions and strengthen relationships with the Department.

Governance Framework

The work of the Commission is overseen by a Board whose members are appointed by the Justice Minister. The Commission was not subject to any Ministerial directions

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during the reporting period. The Commission’s Corporate Governance Framework document sets out the Board and committee structure and its Scheme of Delegation. The table below sets out the membership of the Board and committees, along with an outline of the work undertaken by each, the frequency of meetings in 2013-2014 and the individual attendance by members. The meetings oversee the strategic direction, operational management, policy development and administrative functions of the Commission. They are attended by relevant Directors and managers as appropriate. Representatives from the Sponsor and the Internal and External auditors also attend as required.

Board or Committee	Membership	Attendance	Key Responsibilities
Board The Board met 12 times during the period April 2013 to March 2014.	The Board met 5 times in the period April to August 2013. Attendance was as follows: Mr Ronald Spence CB (Chair) Ms Breidge Gadd CBE (Vice Chair) Mrs Fiona Donnelly Mr Joseph Donnelly Dr Jeremy Harbison CB Mr Wilson Matthews Mrs Hilary McCartan Mr Miceal McCoy Mrs Gillian McGaughey	5 4 3 3 5 4 5 4 4	Membership of the Board is governed by the Access to Justice (Northern Ireland) Order 2003 (Part 2, paragraph 4). The Access to Justice (Membership for the Northern Ireland Legal Services Commission) Order (Northern Ireland) 2013 which came into force on 1 September 2013 reduced the membership of the Commission to the Chair and three Commissioners. The Board has responsibility for ensuring that the Commission fulfils the aims and objectives set by DOJ and approved by the Minister of Justice, and for promoting the efficient, economic and effective use of staff and other resources.
	The Board met 7 times in the period September 2013 to March 2014. Attendance was as follows: Mr Ronald Spence CB (Chair) Mrs Fiona Donnelly Mrs Hilary McCartan Mrs Gillian McGaughey	7 6 7 7	It fulfils its responsibility by: establishing the overall strategic direction of the Commission within the policy and resources framework determined by DOJ and the Minister of Justice; constructively challenging the Commission executive 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 Commission’s objectives; ensuring that the statutory requirements for the use of public funds are complied with;

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Board or Committee	Membership	Attendance	Key Responsibilities
			<p>ensuring it receives and reviews regular financial information concerning the management of the Commission;</p> <p>Delegating the responsibilities to the Committees as detailed in the tables below:</p> <p>The Board notes the limitations of the current management information systems but considers that generally this does not prevent it from exercising appropriate scrutiny and oversight. The Board recognises that improvements in its Management Information Systems would also contribute to improvements in forecasting.</p> <p>The following are generally in attendance at all Board meetings: Chief Executive, Director of Corporate Services, Director of Civil Legal Services, Director of Criminal Defence Services, Secretary to the Board, Principal Legal Advisor, PA to the Chairman and Chief Executive and the Deputy Director PLSD.</p>
<p>Reform Committee</p> <p>The Committee met 8 times during the period April 2013 to March 2014.</p>	<p>The Committee met 4 times in the period April to August 2013.</p> <p>Attendance was as follows:</p> <p>Dr Jeremy Harbison CB (Chair) Mrs Fiona Donnelly (Vice Chair) Mr Ronald Spence CB Ms Breidge Gadd CBE Mr Joseph Donnelly Mrs Gillian McGaughey</p> <p>The Committee met 4 times in the period September 2013 to March 2014.</p> <p>Attendance was as follows: Mrs Fiona Donnelly (Chair) Mr Ronald Spence CB Mrs Gillian McGaughey Mrs Hilary McCartan</p>	<p>3 3 4 3 4 3</p> <p>4 4 4 4</p>	<p>The Committee has responsibility to oversee the Commission's contribution to the delivery of Civil reform projects which are the responsibility of the DOJ, providing challenge, guidance and authorisation as appropriate. It ensures the Commission is fully engaged in the wider Access to Justice reforms being led by the Department of Justice.</p> <p>The following are generally in attendance at all Reform Committee meetings: Chief Executive, Director of Civil Legal Services, Funding Code Manager, Statutory Charge Officer and a representative from the sponsor department.</p>

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Board or Committee	Membership	Attendance	Key Responsibilities
<p>Audit & Risk Committee</p> <p>The Committee met 4 times in the period 01 May to 26 July 2013.</p> <p>Attendance was as follows:</p> <p>Mr Wilson Matthews (Chair) 4 Mrs Hilary McCartan (Vice Chair) 4 Mr Miceal McCoy 3 Ms Breidge Gadd CBE 3</p> <p>The Committee also met 5 times in the period 10 September to 10 March 2014.</p> <p>Attendance was as follows:</p> <p>Mrs Hilary McCartan (Chair) 5 Mrs Fiona Donnelly 5 Mrs Gillian McGaughey 4</p>	<p>The Committee has responsibility in supporting the Board and Accounting Officer by reviewing the comprehensiveness of assurances and reviewing the reliability and integrity of these assurances.</p> <p>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.</p> <p>The following are generally in attendance at all Audit & Risk Committee meetings: Chief Executive, Director of Corporate Services, Business Assurance Manager, PA to the Chairman and Chief Executive and representatives from the internal auditors, external auditors and sponsor department.</p>		
<p>Remuneration Committee</p> <p>The Committee did not meet in the period April to July 2013.</p> <p>The Committee did not meet during the period April 2013 to March 2014.</p> <p>The following re-constituted Committee did not meet in the period August 2013 to March 2014</p> <p>Mr Ronald Spence CB (Chair) Mrs Fiona Donnelly Dr Jeremy Harbison CB Mr Wilson Matthews Ms Breidge Gadd CBE</p> <p>Mr Ronald Spence CB (Chair) Mrs Fiona Donnelly Mrs Hilary McCartan</p>	<p>The Committee considers the assessment by the Chairman of the performance of the Chief Executive and the assessment by the Chief Executive of the performance of the Directors. The Committee also considers what pay arrangements (including performance pay) will apply to the Chief Executive, subject to the agreement of the sponsoring Department.</p> <p>There are no additional attendees.</p>		
<p>General Purposes Committee</p> <p>The Committee met 4 times in the period April to August 2013.</p> <p>Attendance was as follows:</p> <p>Mrs Fiona Donnelly (Chair) 4 Mr Miceal McCoy (Vice Chair) 3 Mr Ronald Spence CB 4 Ms Breidge Gadd CBE 1 Mr Joseph Donnelly 4 Dr Jeremy Harbison CB 3 Mr Wilson Matthews 3 Mrs Hilary McCartan 3 Mrs Gillian McGaughey 2</p>	<p>The Committee had responsibility to oversee the delivery of operational performance, finance, counter-fraud, human resource, efficiency improvements, information technology, FoI, complaints handling and communications. The following were generally in attendance at all General Purposes Committee meetings: Chief Executive, Director of Corporate Services,</p>		

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Board or Committee	Membership	Attendance	Key Responsibilities
			Secretary to the Board and PA to the Chairman and Chief Executive. The General Purposes Committee was stood down in August 2013 and the functions of the Committee transferred to the Board.

Risk Management & Internal Control

The Commission has a well embedded and robust risk management framework in place, with direct involvement of senior managers and staff and oversight being the responsibility of the Audit & Risk Committee. The Commission’s arrangements for effective risk management include:

- a risk management framework consisting of project, departmental and corporate risk registers, supported by a risk management policy which is directly aligned with the Departmental policy;
- an agreed risk appetite which is in line with the Department’s policy. The current risk appetite is as follows: Policy & Guidance (High), Human Resources (Low), Legislation, Regularity, Propriety & Accountability (Low), Reputation (Medium) and External factors (Medium);
- a Corporate Risk register to identify the risks threatening to impact upon the achievement of the Commission’s objectives;
- Board review of Corporate Risks as a standing agenda item;
- Audit & Risk Committee meetings focusing specifically on risk management;
- structures in place to assess and report on information risk;
- quarterly Stewardship Statements from departmental managers, providing formal assurance on their management of risk for their respective business areas; and
- a risk management induction session for all new employees.

The Commission’s system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission’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 Commission’s risk appetite, rather than attempting to eliminate all risk of failure to achieve policies, aims and objectives. The system of internal control includes:

- the establishment and operation of an effective management structure;

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- 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 sponsor and Department, including Stewardship reporting and information security returns;
- adherence to internal policies, standing orders, documented business procedures and processes;
- an IT 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 whistleblowing arrangements.

Review of Effectiveness of the Governance Framework

The Board has undertaken a review of its own effectiveness using the National Audit Office Board Evaluation Questionnaire. The full Board of Commissioners in February 2013 carried out an evaluation of its effectiveness drawing on responses to the NAO's Board Effectiveness Questionnaire and the results were included in the 2012/13 Annual Report and Accounts. In August 2013, the Justice Minister appointed four Commissioners as a Transition Board in overseeing the work of NILSC pending the transfer of the Commission's responsibilities to the sponsor Department. The Transition Board decided in the changing circumstances not to re-run the full NAO Board Evaluation Questionnaire exercise and instead to review its effectiveness taking account of the main headings in the NAO questionnaire.

The Board continues to consider itself to be effective in terms of ensuring it represented the public interest through a good blend of member skills, expertise and experience, in understanding its role and remit, in setting objectives, in overseeing the financial management and business performance of the organisation and in assuring itself of propriety.

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The Board Members confirmed that they have a clear understanding of their role during the transition period, including continuation of their core responsibilities as the board of a public body. They feel that they receive accurate and timely information from officers to enable them to exercise proper oversight of the management of Commission's responsibilities. They believe that they have had opportunities to provide input for consideration by the Department on policy matters.

The Board reaffirmed that it considered it operated within an effective risk management framework and that the supporting internal control framework and assurances provided by the Audit & Risk Committee and Internal Auditors were appropriate. The Board had noted that during the year, it had agreed to the transfer of the internal audit role from a private sector provider to an in-house team in the Department. Members advise that the effectiveness of the new arrangements should be kept under review to ensure continued progress in addressing audit and risk issues. Fraud and Procurement are recognised as particular areas requiring further and constant attention by the Executive and the Board.

In addition the Board reaffirmed the need to maintain momentum and continue to focus on the ongoing work to address audit recommendations in a timely manner. There are currently 4 outstanding Priority 1 Internal Audit recommendations: all procurement related. Of the 16 outstanding Priority 2 recommendations, 5 are assessed as partially implemented. There are 3 outstanding Priority 1 recommendations for external audit, all of which relate directly to ongoing qualification issues.

Corporate risk management continues to be a standing agenda item for every Board meeting.

Members welcome the better understanding of all the factors which impact on the levels of spending on legal aid and the wider recognition that the significant financial pressures which exist arose in large part from the basic architecture for legal aid. The Board supported the extensive programme of work which is ongoing in this important area.

The Members noted the Criminal Justice Inspectorate's report on corporate governance published on 29 November 2013. The Board supported the implementation of an action plan to address the recommendations contained in the report, many of which are reflected in the Departmental Action Plan for the reform of legal aid. The Board welcomed the call for radical reform contained in the report.

Finally, Members welcomed the progress made in addressing the long standing pay and conditions issues and the work proposed to review business processes and develop proposals to make greater use of technology.

Significant Internal Control Issues

Financial Forecasting & Funding Deficit

The Commission commenced the financial year with a projected financial forecast which exceeded the DEL budget allocation. As a result of this deficit and additional financial pressures identified as part of the in-year forecasting process, a further bid for funding was submitted to address the differential in the original forecast for the year. The Department provided significant additional funding to allow the Commission

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to continue to make payments up to the end of the financial year. The Commission is working closely with the Department to develop and improve the accuracy of the financial forecasting process and respond to external factors impacting on legal aid forecasting.

External Audit – Account Qualifications

The Northern Ireland Audit Office (NIAO) has confirmed that, although progress has been made, the accounts have been qualified in respect of the two major areas that have been the subject of qualification since 2003.

The first is a limitation in scope in respect of insufficient evidence to support the assumptions and rationale used when calculating provisions and the second, a limitation in scope qualification in respect of evidence for the regularity of expenditure. In respect of this latter qualification, the NIAO consider there is still insufficient evidence available to support the eligibility of applicants, the legal aid payments made to the profession and the potential scope of fraud.

The Commission has put in place a programme of work to address these qualifications:

Provisions

The Commission is seeking to improve the estimation technique and disclosures it used when estimating outstanding liabilities for services provided by legal practitioners to Legal Aid claimants at each financial year end. Significant work is being undertaken looking at the payment profiles and the life cycle of claims to provide an enhanced suite of analysis to inform the estimates. This work will be assisted by the proposed introduction of standard fees across civil legal aid.

Regularity of expenditure

The NILSC remains focused on a range of initiatives to address this qualification. It has continued with its 1% sample check of case files recovered from Criminal and Civil legal aid practitioners and is analysing ways in which this can be more effectively targeted at high risk areas. Ongoing discussions with the Social Security Agency (SSA) are aimed at reviewing the methodology for calculating the potential for benefit fraud and applying a similar methodology to legal aid. The revised financial form CL4A has improved financial eligibility information being received and addresses a number of weaknesses identified by the NIAO. A financial eligibility pilot is currently underway, which is reviewing a sample of current legal aid certificates to see if applicants remained eligible for legal aid or if their financial circumstances and eligibility had changed. This initiative likewise addresses a weakness noted by the NIAO and the subsequent pilot analysis should inform the Commission's ability to more effectively address this matter.

The methodology and format for the reporting of potential fraud to the Sponsor, and subsequently the Department and the NIAO, was agreed in line with DFP requirements during the reporting period. Reporting using the new counter-fraud report format began with the November 2013 return to the Sponsor.

Given the complex nature of legal aid provision and the range of issues remaining outside the Commission's control, providing the necessary levels of assurance to the NIAO to have this qualification removed remains a significant challenge. The Commission does not expect this qualification to be removed for 2013-14, but will be working to enhance the Commission's controls in this area throughout the 2014-15 reporting period.

ANNUAL REPORT

External Audit - other weaknesses identified

The Commission continues to devote significant resources to regularise and ensure compliance with both Central Procurement Directorate (CPD) and Departmental requirements in relation to good practice in procurement and contract management. A designated Procurement Unit has now been introduced and the Commission's Contract Register has been updated to provide the information to ensure that all procurement activity is undertaken in an appropriate manner. The Commission is also working to regularise and comply with all contract management and procurement procedures, including the preparation of Business Cases, Direct Award Contract approvals and bespoke tender documents. This will enable the Commission to ensure that future procurement exercises are properly planned and deliver all necessary contracts.

There are 3 outstanding Priority 1 recommendations for external audit, all of which relate directly to the ongoing audit qualifications discussed above.

Internal Audit

Internal Audit provision for the Commission is now delivered through the Departmental Internal Audit team. The audit plan for 2013-14 has been completed and an overall Limited assurance has been given.

Significant weaknesses were identified during the audit of procurement. The Commission has already created a Procurement Unit to ensure this critical area has the appropriate oversight, management and dedicated resources that it requires. The Procurement Unit is working closely with internal contract managers, Departmental & Central Procurement Directorate (CPD) colleagues and the DOJ Sponsor to address and improve existing arrangements.

Improvements have continued in respect of addressing outstanding internal audit recommendations, with only 4 Priority 1 recommendations remaining. These are all procurement related. Priority 2 recommendations have also been reduced to 16, with 5 of these assessed as partially implemented. Addressing outstanding recommendations remains the focus for the Commission's senior management team, with regular oversight of progress achieved being undertaken by the Audit & Risk Committee.

Risks Assessment

The Commission has reviewed its Corporate Risks as part of the business planning process for 2013/2014 and has reflected the issues identified above in this review. In particular the risks in relation to the improvement of forecasting systems to secure sufficient in-year funding to discharge properly assessed legal aid bills; the need to scope and implement appropriate IT systems to support business needs; and the provision of appropriate evidence to address the external audit qualifications on regularity and provisions; have been identified as the three key risks at present.

ANNUAL REPORT

Accounting Officer Statement on Assurance

In providing my statement on assurance I am informed by a range of sources, including the Legal Aid Assessment Office, the Northern Ireland Courts & Tribunals Service, our risk management framework, internal stewardship arrangements and reports from the internal and external auditors. Assurances include the Annual Internal Audit Assurance Report which provides a limited assurance in relation to internal control, risk management and corporate governance for the period, the Audit & Risk Committee's draft Annual Report and the ongoing system of risk management within the Commission.

I acknowledge improvements across the Commission are needed to address the weaknesses identified through the various areas of assurance in particular improving financial forecasting, the procurement process and addressing the audit qualifications and outstanding audit recommendations. I consider that the overall system of internal control, governance and risk management that are within the parameters of my control, are such as provide satisfactory assurance to me in relation to the ability of the Commission to effectively discharge its governance responsibilities.



Paul Andrews
Chief Executive
30 January 2015

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

I certify that I have audited the financial statements of the Northern Ireland Legal Services Commission for the year ended 31 March 2014 under the Access to Justice (Northern Ireland) Order 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Northern Ireland Legal Services Commission, the Chief Executive and auditor

As explained more fully in the Statement of the Northern Ireland Legal Services Commission and Chief Executive's Responsibilities, the Chief Executive is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Access to Justice (Northern Ireland) Order 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Northern Ireland Legal Services Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Legal Services Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

Basis for Qualified Opinion on Regularity

My examination found material weaknesses in controls over fraud prevention and detection at the Northern Ireland Legal Services Commission. The Northern Ireland Legal Services Commission was unable to provide sufficient evidence to enable me to conclude that a material amount of Legal Aid expenditure has not been fraudulently claimed. There were no additional audit procedures that I could undertake to provide

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

me with assurance as to the regularity of this expenditure. The scope of my audit was therefore limited in this respect and I am not able to form an opinion on whether all of the expenditure on Legal Aid (totalling £98.4 million) was in accordance with the purposes intended by the Assembly and that these financial transactions conformed to the authorities which governed them.

Qualified Opinion on Regularity

In my opinion, except for expenditure which may have arisen from fraudulent Legal Aid claims or fraudulent Legal Aid costs, 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 Opinion on Financial Statements

Provisions of £99.7 million have been made in the financial statements for the costs of Legal Aid cases incurred up to the end of the financial year. However, the Northern Ireland Legal Services Commission was unable to provide sufficient evidence to support management information used to calculate a number of key assumptions and judgements it used to estimate these provisions. Consequently I was unable to determine if any adjustments to Legal Aid provisions was necessary.

Qualified Opinion on Financial Statements

In my opinion, except for any possible effects of material misstatement in Legal Aid provisions which has arisen due to the lack of sufficient documentation to support the assumptions and judgements used, as outlined above:

- the financial statements give a true and fair view of the state of the Northern Ireland Legal Services Commission's affairs as at 31 March 2014 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Access to Justice (Northern Ireland) Order 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 and the Department of Justice directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Access to Justice (Northern Ireland) Order 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010; and
- the information given in the Strategic Report and Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which I report by exception

I have not received all of the information and explanations that I considered necessary to confirm the appropriateness of certain assumptions used in the calculation of Legal Aid provisions and regularity of payments to legal professionals referred to above. 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

Report

My report on those matters subject to qualification is included on pages 77 to 83.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 IEU
11 February 2015

NORTHERN IRELAND LEGAL SERVICES COMMISSION

Statement of Comprehensive Net Expenditure year ended 31 March 2014

	Note	2013/14	2012/13
		£'000	£'000
			Restated
Expenditure			
Staff Costs	3	6,531	4,870
Grants	4	231	257
Depreciation	4	662	691
Other expenditure (Programme Costs)	4	105,631	94,470
Total Expenditure		113,055	100,288
Income			
Income from activities	6	(1,855)	(1,599)
		(1,855)	(1,599)
Net Expenditure		111,200	98,689
Interest Payable	4	5	-
Net expenditure after interest		111,205	98,689
Reversal of notional charges	5	(529)	(512)
Net expenditure excluding notional charges		110,676	98,177
Other Comprehensive Expenditure			
Net gain/(loss) on			
- revaluation of intangibles	8	(8)	-
-actuarial pension liability (decrease)/increase	3	(1,898)	807
		(1,906)	807
Total Comprehensive Net Expenditure		108,770	98,984

All amounts relate to the continuing activities of the Commission.

There are no gains and losses other than those recognised in the Statement of Comprehensive Net Expenditure.

Paul Andrews

Paul Andrews

Accounting Officer and Chief Executive

Date 30 January 2015

The notes on pages 46 to 76 form part of these accounts.

NORTHERN IRELAND LEGAL SERVICES COMMISSION

Statement of Financial Position as at 31 March 2014

	Note	2013/14	2012/13
		£'000	£'000
Non-current assets			
Property, plant and equipment	7	477	808
Intangible assets	8	313	432
Financial assets	10	-	10
Total non-current assets		790	1,250
Current assets			
Trade and other receivables	10	2,467	2,088
Cash and cash equivalents	12	33	16
Total current assets		2,500	2,104
Total assets		3,290	3,354
Current liabilities			
Trade and other payables	13	(5,018)	(8,066)
Provisions	14	(53,050)	(42,738)
Total current liabilities		(58,068)	(50,804)
Non-current assets less Net current liabilities		(54,778)	(47,450)
Non-current liabilities			
Provisions	14	(46,893)	(55,885)
Other payables	13	-	(25)
Total non-current liabilities		(46,893)	(55,910)
Assets less liabilities		(101,671)	(103,360)
Taxpayers' equity			
General reserve		(101,680)	(103,369)
Revaluation reserve		9	9
Total taxpayers' equity		(101,671)	(103,360)

The financial statements on pages 42 to 76 were approved by the Board on 30 January 2015 and were signed on its behalf by:



Paul Andrews

Accounting Officer and Chief Executive

Date 30 January 2015

The notes on pages 46 to 76 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2014

	Note	2013/14	2012/13
		£'000	£'000
			Restated
Cash flows from operating activities			
Net operating cost		(110,676)	(98,177)
Adjustments for non-cash transactions	4	103,791	94,232
(Increase)/decrease in trade and other receivables	10	(369)	(92)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	11	(711)	(396)
Increase/(decrease) in trade and other payables	13	(3,075)	5,722
Use of provisions	14	(99,197)	(102,771)
Net cash outflow from operating activities		(110,237)	(101,482)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(8)	(6)
Purchase of intangible assets	8	(192)	-
Net cash outflow from investing activities		(200)	(6)
Cash flows from financing activities			
Grants from Sponsoring Department		110,454	101,476
Net financing		110,454	101,476
Net increase/(decrease) in cash and cash equivalents in the period		17	(12)
Cash and cash equivalents at the beginning of the period		16	28
Cash and cash equivalents at the end of the period	12	33	16

The use of provisions is now inclusive of pension costs.

The notes on pages 46 to 76 form part of these accounts

NORTHERN IRELAND LEGAL SERVICES COMMISSION

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2014

	General Fund	Revaluation Reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2012	(105,875)	23	(105,852)
Grants from Sponsoring Department	101,476	-	101,476
Net operating cost	(98,177)	-	(98,177)
Other comprehensive expenditure	(807)	-	(807)
Transfers between reserves	14	(14)	-
Balance at 31 March 2013	(103,369)	9	(103,360)
Closing balance adjustment	5	-	5
Balance at 1 April 2013	(103,364)	9	(103,355)
Grants from Sponsoring Department	110,454	-	110,454
Net operating cost	(110,676)	-	(110,676)
Other comprehensive expenditure	1,898	8	1,906
Transfers between reserves	8	(8)	-
Balance at 31 March 2014	(101,680)	9	(101,671)

The notes on pages 46 to 76 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2014

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2013/14 Government Financial Reporting Manual (FReM). The accounting policies contained in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM guidance permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission, for the purpose of giving a true and fair view, has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

a) Accounting convention

These accounts are presented for the year ending 31 March 2014 to comply with the 2013/14 Accounts Direction issued by DOJ. Prior year accounts have been restated where required and reflected within the relevant primary statements and associated notes.

The financial statements of the Commission have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories values.

b) Property, plant and equipment and intangible assets

Expenditure on property, plant and equipment costing less than £1,000 per individual item is expensed to the Statement of Comprehensive Net Expenditure in the period of acquisition. Where material, property, plant and equipment items have been pooled so as to reflect more accurately asset holdings.

Assets are revalued at depreciated replacement cost, using appropriate indices compiled by the Office for National Statistics and published by the Stationery Office. Surpluses and deficits arising on revaluation are taken to the revaluation reserve. Permanent reductions in value are charged to the Statement of Comprehensive Net Expenditure.

c) Depreciation of Property, Plant and Equipment

Property, plant and equipment are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives. A further adjustment is made for any backlog depreciation/amortisation arising from the requirement to revalue property, plant and equipment by reference to current costs. Estimated useful lives are normally in the following ranges:

Fixtures and Fittings	5 – 10 Years
Computer Equipment	5 Years

Additions to property, plant and equipment are depreciated from the month of acquisition. Disposals from property, plant and equipment are not depreciated in the month of disposal.

Notes to the Accounts for the year ended 31 March 2014

d) Intangible Assets

The Commission recognises software licences as intangible assets. Purchases of software licences are capitalised as intangible non-current assets where the purchase cost of an individual licence exceeds £1,000. Computer systems (bespoke software), developed internally, have been capitalised at the full cost incurred.

Intangible assets are depreciated at rates calculated to write them down to estimated residual value on a straight line basis over their estimated useful lives. A further adjustment is made for any backlog depreciation/amortisation arising from the requirement to value intangible assets by reference to current costs.

Estimated useful lives for computer software are normally amortised over 3 years.

e) Inventories

Consumable inventories held by the Commission are not considered material and are written off in the Statement of Comprehensive Net Expenditure as they are purchased. There was no inventory held in 2013/14 or 2012/13.

f) Operating Income

Operating income comprises receipts authorised by the DOJ to be treated as income, including contributions towards legal aid costs, costs recovered from clients and where appropriate, damages awarded. Income is accrued and accounted for in the period in which it is earned in the Statement of Comprehensive Net Expenditure.

g) Operating leases

Rentals under operating leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the term of the lease.

h) Financial instruments

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. In accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, a financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when, it is extinguished. The Commission does not hold any complex financial instruments. The majority of financial instruments relate to contracts for non-financial items in line with the Commission's expected purchase and usage requirements; the Commission is therefore exposed to little credit, liquidity or market risk.

Notes to the Accounts for the year ended 31 March 2014

i) Financing – Grants Receivable

The Commission is primarily resourced by funds approved by the NI Assembly through the latest comprehensive spending review. Resources are drawn down as required to meet expenditure requirements and are credited to the General Reserve.

j) Provisions

The Commission recognises ‘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. The provision is calculated at the best estimate of the expenditure required to settle the obligation, on a case by case basis, for work completed at the year end, but not yet billed. Expenditure relating to the creation of provisions is charged to the Statement of Comprehensive Net Expenditure in the year in which the obligation arises.

There are a number of key assumptions applied in the calculation of the provisions which are detailed below:

- (i) lifecycle of certificates – an analysis of the reports authorised for payment, aged to the certificate granted date, has been undertaken and reviewed to determine a lifecycle per certificate within each business area of the Commission;
- (ii) average costs – an analysis of the total costs and total certificates by category within each business area of the Commission results in an average cost being applied per certificate in the calculation of the provisions, and
- (iii) no bills adjustments – it is known that not all certificates result in a cost to the legal aid fund and an analysis of historical data determines a percentage reduction which is then incorporated in the provisions calculations.

The Commission also provides for a limited number of legal or constructive obligations which are of uncertain timing or amount at the Statement of Financial Position date, in respect of administrative expenditure on the basis of the best estimate required to settle the obligation.

k) Estimation techniques used 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 Commission’s accounting policies. The Commission continually evaluates its estimates, assumptions and judgements based on available information and experience. This is particularly relevant in respect of lifecycles, average costs and no bills adjustments applied in arriving at the Provisions calculation referred to at Note (j) above.

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 of assets and liabilities are discussed at Note 3, Pension Costs.

Notes to the Accounts for the year ended 31 March 2014

l) Accounting for value added tax

The Commission is not registered for VAT. Irrecoverable VAT is charged to the relevant expenditure category or, if appropriate, capitalised within additions to non-current assets.

m) Third party assets / funds

Awards for damages to funded clients may be required by the Commission to offset any liability to the Programme Costs. The Commission places these funds on deposit until the liability, if any, is determined and any excess of damages is paid to the funded client. These funds are accounted for as funds held on behalf of third parties and therefore only appear in the notes of these accounts (See Note 21).

n) Pensions

The Commission participates in the Northern Ireland Local Government Occupational Scheme (NILGOSC), a 'multi-employer' pension scheme with approximately 65,000 members. Membership of the scheme is optional for Commission employees.

The scheme is a defined benefit scheme and the underlying assets and liabilities are disclosed in the Statement of Financial Position. The difference between the market value of the scheme's assets and the actuarially assessed present value of the scheme's liabilities, calculated using the projected unit credit method, is disclosed as a liability on the Statement of Financial Position.

The amount charged to the Statement of Comprehensive Net Expenditure is the actuarially determined cost of pension benefits promised to employees earned during the year plus any benefit improvements granted to members during the year and consists of the current service cost (included within staff costs) and interest receivable pension costs (shown on the Statement of Comprehensive Net Expenditure).

The latest formal actuarial valuation of the scheme was carried out at 31 March 2013. Aon Hewitt, commissioned by NILGOSC, has advised in its document "Actuarial Valuation at 31 March 2013 – Northern Ireland Local Government Officers' Pension Fund dated 31 March 2014 (this represented the 2013 Valuation). The scheme asset values have been updated at bid value as required under IAS 19. (Details are provided at Note 3 to the accounts, with disclosures calculated under the revised IAS 19, including the restated prior year).

Additional contributions are made by the Commission on behalf of employees which effectively increases the employer's contributions from 18% to 23.7%.

Any difference between the expected return on assets and that actually achieved and any changes in the liabilities due to changes in assumptions or because actual experience during the year was different to that assumed, are recognised as actuarial gains and losses in the statement of recognised gains and losses.

Notes to the Accounts for the year ended 31 March 2014

The Commission also sponsored the Law Society of Northern Ireland Retirement Benefits Scheme administered by NPI, (NPI Scheme), a defined benefit arrangement and privately funded scheme. The assets and liabilities of this scheme are held separately from those of the Commission. The scheme closed to new entrants in 1988 and the majority of active members transferred to NILGOSC. The remaining active members transferred to NILGOSC with effect from 1 May 2004. The Commission has taken steps to have this scheme wound up. Based on advice from professional advisers, a sum of £2,488 was paid to HMRC in full and final settlement of the Commission's liability. A delay in the professional advisers providing information to HMRC has delayed the formal closure of the scheme. Actuarial pension costs associated with the NPI Scheme are recognised in the accounts in accordance with the provisions of IAS 19. The charge to the Statement of Comprehensive Net Expenditure consists of the current service cost (included within staff costs) and net return on pension assets (shown on the Statement of Comprehensive Net Expenditure). Actuarial gains and losses have been taken to reserves and shown in the Statement of Other Comprehensive Income and Expenditure. (A Deed of Termination for this scheme was signed on 30 June 2014).

Both schemes provide benefits based on pensionable salary.

o) Accounting standards, interpretations and amendments to published standards and FReM - issued and effective in 2013-14 for the first time

Standard	Comments
IAS 1 - <i>Presentation of financial statements (Other Comprehensive Income (OCI)) (amendment)</i>	<p>Requires items of OCI to be grouped on the basis of whether they might at some point be reclassified ('recycled') from OCI to profit (e.g. cash flow hedges) or where they will not (e.g. gains on property revaluation). This will make it clearer to users what their potential effect on profit or loss will be in future periods, notably in light of improved disclosure of financial instruments and pensions, and where there will be no impact.</p> <p>Amendments also allow simplified reporting for discontinued operations and OCI tax grouping.</p> <p>The <i>FReM</i> application of the IAS 1 amendments interpreted for terminology and adapted for the public sector context is effective from 1 April 2013. This requires a single Statement of Comprehensive Net Expenditure rather than separate Other Comprehensive Expenditure, unless agreed by the Relevant Authority.</p>
IAS 16 - <i>Property, Plant and Equipment (amendment)</i>	<p>Classification of servicing equipment including items such as spare parts, stand-by equipment and servicing equipment are recognised under IAS 16 when they meet the definition of property, plant or equipment. They are otherwise classified as inventory under IAS 2 Inventories.</p> <p>The <i>FReM</i> applies this change in full.</p>

Notes to the Accounts for the year ended 31 March 2014

Standard	Comments
IAS 19 - <i>Post employment benefits (pensions) (amendment)</i>	<p>The amended IAS 19 introduces a number of changes including:</p> <p>Recognition - the elimination of the option to defer the recognition of gains and losses resulting from defined benefit plans (the ‘corridor approach’);</p> <p>Presentation - the elimination of options for the presentation of gains and losses relating to those plans; and</p> <p>Disclosures - the improvement of disclosure requirements that will better show the characteristics of defined benefit plans and the risks arising from those plans.</p> <p>The corridor approach is not permitted by the <i>FReM</i> so the main impact of the change is not relevant.</p> <p>There is an impact on defined benefit pension scheme accounts and other entities consolidating defined benefit schemes due to the new presentation and disclosure requirements. Entities may also be impacted by modifications to accounting for termination benefits.</p>

The Commission has reviewed the remaining standards, interpretations and amendments to published standards and *FReM* that became effective during 2013-14. The adoption of these standards are either not relevant to the Commission’s operations or have not had a significant impact on its financial position or results.

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

The International Accounting Standards Board (IASB) have issued new and amended standards (IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective from January 2013, with EU adoption from 1 January 2014.

Accounting boundaries for IFRS purposes are currently adapted in the *FReM* so that the Westminster departmental accounting boundary is based on Office of National Statistics control criteria, as designated by Treasury. A review of the Northern Ireland (NI) financial process is currently under discussion with the Executive, which will bring NI departments under the same adaptation. Should this go ahead, the impact on departments is expected to focus around the disclosure requirements under IFRS 12. The impact on the consolidation boundary of NDPBs and trading funds will be subject to review, in particular, where control could be determined to exist due to exposure to variable returns (IFRS 10), and where joint arrangements need reassessing.

Notes to the Accounts for the year ended 31 March 2014

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Commission's accounting periods beginning on or after 1 April 2014 or later periods, but which the Commission has not adopted early. Other than as outlined below, the Commission considers that these standards are not relevant to its operations.

Standard	<i>IFRS 13 - Fair Value Measurement (new)</i>
Description of revision	<p>IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise).</p> <p>The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. The standard requires fair value be measured using the most reliable data and inputs available to determine the exit price for an asset / liability. This exit price is taken to be the price that two market participants (a buyer and seller) would settle on.</p> <p>To ensure transparency over the differing quality of inputs used to determine fair value, the standard has established a hierarchy for input quality. Level 1 inputs (highest quality) are published prices available in an active market; Level 2 inputs are observable data available in a non-active market; and Level 3 inputs (lowest quality) are all other inputs, which are mostly unobservable.</p> <p>Entities are required to use the most appropriate inputs available to them in determining fair value. The inference is that the higher the quality, the more appropriate the input.</p> <p>IFRS 13 requires additional disclosures where Level 3 inputs are used to assess fair value, to give readers an understanding.</p>
Effective date	1 January 2013 (EU adopted)
Comments	The application of IFRS 13 is subject to further review by HM Treasury and the other Relevant Authorities following the consultation which took place in 2013.

Notes to the Accounts for the year ended 31 March 2014

Financial Reporting - Future Developments

In addition to the changes identified above, there are a number of future developments that will impact the Department including:

Standard	Description of revision	Comments
IAS 17 replacement - <i>Leases</i>	The current proposals include the elimination of the current operating lease categorisation for virtually all leases except short-term leases. Instead assets and liabilities will be recognised on a 'right of use' basis. However, the IASB plans to re-deliberate significant issues associated with the exposure draft.	HM Treasury has begun an analysis of the revised exposure draft. HM Treasury and the Relevant Authorities will review the implications and follow due process once there is a final standard.
Effective date	No target date for IFRS	
IAS 18 replacement – <i>Revenue Recognition and Liabilities Recognition</i>	Re-issued in November 2011, the exposure draft sought to develop a single conceptual model, and general principles, for determining when revenue should be recognised in the financial statements - replacing IAS 18 and IAS 11 <i>Construction Contracts</i> .	Although the exposure draft seems relatively straight forward, and potentially applicable in full (as IAS 11 and 18 currently are), there will need to be due process undertaken to consider the impact of the final IFRS once issued.
Effective date	Effective no earlier than 1 January 2015 (as per exposure draft)	
IFRS 9 - <i>Financial Instruments</i> (new)	The project has three phases addressing classification and measurement, impairments and hedge accounting.	There are likely to be elements of the final proposals that will require further review by HM Treasury and the other Relevant Authorities before due process and consultation. However, this due process cannot commence until a final IFRS has been issued.
Effective date	Subject to consultation	

The Commission has considered the remaining additional or revised accounting standards and new (or amendments to) interpretations contained within *FReM* 2014-15. The Commission considers that these changes are not relevant to its operations.

Notes to the Accounts for the year ended 31 March 2014

q) Commitments

The Commission recognises that there is a continuing obligation to fund cases past the Statement of Financial Position date. Note 17 to the Accounts refers.

r) Provision for doubtful debts

The Commission estimates the provision for doubtful debts and charges any debts written off against amounts previously provided. Movements in the provision are reflected in the Statement of Comprehensive Net Expenditure. The Commission utilises cash flow trends and the age of outstanding debts in assessing the appropriate level of the provision. Not all debts which are classed as doubtful at year end will result in a write off. The liability to the Commission of individual debtors may change as a result of a number of factors during the life of a legal aid certificate.

s) Going concern

The Commission is a statutory body established under the Access to Justice (Northern Ireland) Order 2003. The Commission takes the view that the going concern concept applies to these accounts which present the operations of the grant as long as the provisions of the Access to Justice (Northern Ireland) Order 2003 remain extant. The future financing of the Commission's liabilities will be met by grants from the DOJ as voted on by the Assembly.

t) Employee Benefit Accrual

Under the requirements of IAS 19 Employee Benefits, staff costs must be recoded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any annual and flexi leave entitlements that have been earned at the year end but not yet taken. The cost of untaken annual and flexi leave has been determined by using actual salary costs and the data from staff leave returns at 31 March. It is not anticipated that the level of untaken leave will vary significantly from year to year.

u) Notional Costs

Notional charges included in operating expenditure reflect the cost of services provided by the Taxing Master and the Social Security Agency. In accordance with FReM, the notional charge is reversed out of the Statement of Comprehensive Net Expenditure before determining the retained surplus or deficit for the year.

v) Prior Year Adjustments / Restatements

The financial statements have been presented on a combined basis as required under the Accounts Direction issued by DoJ for the 2013/14 accounts. Note 1 of the Accounting Policies on page 46 refers.

The changes to IAS 19 for reporting pensions also came into effect in 2013/14 (see Note 3). This represented a change in accounting policy and prior period adjustment has been made.

Notes to the Accounts for the year ended 31 March 2014

w) Segmental Reporting

Under the requirements of IFRS 8 Operating Segments – the Commission must disclose information in a form 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. Full details of the reporting segments are contained within Note 2 below.

2. Statement of Programme Costs by Operating Segment

The Commission continues to have two primary operating segments within its core activities. These are Civil Legal Services and Criminal Legal Services. The table below provides Gross Expenditure and Income for both segments and the net level of total expenditure. There are no transactions between the two operating segments.

	2013/14			2012/13			Restated
	Civil Legal Aid	Criminal Legal Aid	Total	Civil Legal Aid	Criminal Legal Aid	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Gross expenditure	63,017	49,514	112,531	66,182	33,594	99,776	
Income	(1,855)	-	(1,855)	(1,599)	-	(1,599)	
Net expenditure	61,162	49,514	110,676	64,583	33,594	98,177	

Civil Legal Aid provides legal representation in civil court proceedings, primarily in the County Court and High Court. Civil Legal Aid allows someone to obtain legal representation by a solicitor and barrister, either to bring or to defend a court case.

Criminal Legal Aid provides free legal representation by a solicitor and barrister to defend someone charged with criminal offences in a Magistrates' or Crown Court.

In line with the provisions of IFRS 8, Operating Segments, the Commission does not operationally analyse its net operating expenditure by operating segment. Net Operating Expenses have been apportioned based on programme spend for Civil Legal Aid and Criminal Legal Aid as shown in the table above.

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2013/14			2012/13			Restated
	Civil Legal Aid	Criminal Legal Aid	Total	Civil Legal Aid	Criminal Legal Aid	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Total net expenditure per statement of operating cost by operating segment	61,162	49,514	110,676	64,583	33,594	98,177	
Reconciling Items	-	-	-	-	-	-	
Total net expenditure per operating cost segment	61,162	49,514	110,676	64,583	33,594	98,177	

Total net expenditure per statement of operating cost by operating segment.

Notes to the Accounts for the year ended 31 March 2014

3. Staff numbers and related costs

3.1 Staff costs comprise:

	2013/14			2012/13
	Total	Permanently employed staff	Seconded-in / agency staff	Total
	£'000	£'000	£'000	£'000
Wages and salaries	4,240	4,079	161	3,715
Social security costs	297	281	16	305
Other pension costs	1,044	1,007	37	152
Employer service cost - present	950	950	0	698
Sub total	6,531	6,317	214	4,870
Less recoveries in respect of outward secondments	0	0	0	0
Total Staff Costs	6,531	6,317	214	4,870

Included within other pension costs is a one off charge from NILGOSC of £880k which will be paid in 2014/15.

3.2 Staff numbers comprise:

The average number of whole-time equivalent persons employed in 2013/14 was:

	2013/14	2012/13
Operational staff - permanent	135	139
Secondments / Agency staff	2	3
Total	137	142

In addition to the 135 whole time equivalent persons noted above (145 staff in post), the Commission also retained the services of up to 9 Commissioners and 26 Committee Members on a part-time basis at various times during the year as dictated by the requirements of the Commission.

3.3 Pension costs

The Commission operates two pension schemes for the benefit of their employees, the details of which are set out below:

a) Northern Ireland Local Government Officers' Superannuation Committee Scheme

The Commission makes employer contributions to the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC Scheme) a defined benefit funded scheme. Membership of the scheme is optional for employees, but in practice most staff participate in the arrangement.

The latest actuarial valuation of the scheme was carried out in 31 March 2013. Liabilities have been estimated by an independent actuary on the projected unit credit method. A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The changes represent a change in accounting policy (see note 1(v)). These disclosures have been calculated under the revised IAS 19 including the restated prior year.

Notes to the Accounts for the year ended 31 March 2014

From 1 April 2009 the level of employee contribution to the NILGOSC Scheme has been based on a tiered band scale arrangement. Staff employed before 1 May 2009 continued to make an employee contribution of 1.5%, with the Commission paying the balance up to the applicable level of employee contribution. Staff employed after 1 May 2009 pay the correct employee contribution to the NILGOSC Scheme. For the period ended 31 March 2014 actual employer contributions of £672K were paid to the NILGOSC Scheme at one of four rates in the range 20% to 25.7% of pensionable pay based on salary bands. The principal assumptions used by the actuary (Aon Hewitt), in updating the latest valuation of the Fund for IAS 19 disclosure purposes at 31 March 2014, were:

Assumptions and sensitivity of results:

Financial Assumptions	31 March 2014	31 March 2013
Discount rate	4.3%	4.5%
Inflation Rate Increase (RPI)	3.4%	3.7%
Inflation Rate Increase (CPI)	2.4%	2.8%
General Salary Increase Rate*	3.9%	5.2%
Pension Increase Rate	2.4%	2.8%

*Salary increases are assumed to be 1% per annum until 31 March 2016.

Mortality:

Mortality assumptions are based on the recent active mortality experience of members in the Fund and allow for expected future mortality improvements. Based on these assumptions, the average future life expectancy at age 65 are as follows:

	Males	Females
Current Pensioners	22.1 years	24.6 years
Future Pensioners	24.3 years	26.9 years

Asset allocation:

The approximate split of assets for the Fund as a whole (based on data supplied by the Fund Administering Authority) is shown in the table below:

	Asset split at 31 March 2014	Asset value at 31 March 2014	Asset split at 31 March 2013	Asset value at 31 March 2013
	% p.a.	£'000	% p.a.	£'000
Equities	74.2%	15,497	75.6%	14,570
Bonds	12.0%	2,506	11.4%	2,197
Property	11.2%	2,339	7.7%	1,484
Cash	2.6%	544	4.7%	906
Other	0.0%	0	0.6%	115
Total	100.0%	20,886	100.0%	19,272

The above asset values as at 31 March 2014 are at bid value as required under **IAS 19**.

The assets allocated to the Employer in the Fund are notional and the assets are assumed to be invested in line with the investments of the Fund for the purposes of calculating the return to be applied to those notional costs. The Fund is large and largely liquid and as a consequence there will be no significant restriction on realising assets.

Notes to the Accounts for the year ended 31 March 2014

Reconciliation of funded status to Balance Sheet:

	Value as at 31 March 2014	Value as at 31 March 2013
	£'000	£'000
Fair value of assets	20,886	19,272
Value of defined benefit obligation	20,982	20,919
(Liability) recognised on Balance Sheet	(96)	(1,647)

Changes to the present value of defined benefit obligation during the period

	Period ending 31 March 2014	Period ending 31 March 2013
	£'000	£'000
Opening defined benefit obligation	20,919	16,855
Current service cost	960	717
Interest expense on defined benefit obligation	938	803
Contributions by participants	85	88
Actuarial (gains)/losses – financial assumptions	(684)	2,712
Actuarial (gains)/losses – demographic assumptions	(488)	0
Actuarial (gains)/losses – experience	(491)	(18)
Net benefits paid out	(257)	(238)
Closing defined benefit obligation	20,982	20,919

Changes to the fair value of assets during the period:

	Period ending 31 March 2014	Period ending 31 March 2013
	£'000	£'000
Opening fair value of assets	19,272	15,948
Interest income on assets	879	778
Remeasurement gains/(losses) on assets	235	2,032
Contributions by employer	672	664
Contributions by participants	85	88
Net benefits paid out	(257)	(238)
Closing fair value of assets	20,886	19,272

Re-measurements in Other Comprehensive Income (OCI):

	Period ending 31 March 2014	Period ending 31 March 2013
	£'000	£'000
Remeasurement gains/(losses) on assets	(235)	0
Actuarial (gains)/losses – financial assumptions	(684)	0
Actuarial (gains)/losses – demographic assumptions	(488)	0
Actuarial (gains)/losses – experience	(491)	0
Actuarial (loss)	0	807
Amount recognised in OCI	(1,898)	807

Actual return on assets:

	Period ending 31 March 2014	Period ending 31 March 2013
	£'000	£'000
Interest income on assets	879	778
Remeasurement gains/(losses) on assets	235	2,032
Actual return on assets	1,114	2,810

Sensitivity Analysis:

The revised IAS 19 requires an organisation to disclose information about the sensitivity of the defined benefit obligation as at 31 March 2014 and the projected service cost for the year ending 31 March 2015, this is set out below. This does not include a sensitivity of unfunded benefits on materiality grounds.

Notes to the Accounts for the year ended 31 March 2014

Funded LGPS benefits		
Discount rate assumption		
Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000)	20,499	21,476
% change in present value of total obligation	-2.3%	2.4%
Projected service cost (£000)	945	1,000
Approximate % change in projected service cost	-2.8%	2.9%
Rate of general increase in salaries		
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000)	21,156	20,810
% change in present value of total obligation	0.8%	-0.8%
Projected service cost (£000)	986	958
Approximate % change in projected service cost	1.4%	-1.4%
Rate of increase to pensions in payment and deferred pensions assumption		
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£000)	21,303	20,667
% change in present value of total obligation	1.5%	-1.5%
Projected service cost (£000)	987	958
Approximate % change in projected service cost	1.5%	-1.4%
Post retirement mortality assumption		
Adjustment to mortality age rating assumption	-1 year	+1 year
Present value of total obligation (£000)	21,411	20,550
% change in present value of total obligation	2.0%	-2.1%
Projected service cost (£000)	998	946
Approximate % change in projected service cost	2.7%	-2.7%
Funded LGPS benefits-	Period ending 31 March 2015	
Expected amounts charged to Profit & Loss A/c		
Projected service cost (£000)		972
Past service cost (£000)		0
Interest on the net defined benefit (asset)(£000)		-10

b) Law Society Northern Ireland Local Government Officers' Superannuation Committee Scheme

The Commission sponsored the Law Society of Northern Ireland Retirements Benefits Scheme (NPI Scheme), a defined benefit arrangement. Active members of the scheme transferred to the NILGOSC scheme on 1 May 2004. A full actuarial valuation was carried out at 31 March 2010 by a qualified independent actuary. The scheme is closed to new entrants and there are no active members. There was a net pension liability of £2k at 31 March 2014 (£2k at 31 March 2013). On 12 April 2012, based on advice from the scheme administrators, the Commission obtained approval from DFP to make a payment of £2,488 to the National Insurance Contributions Office (NICO) under instruction from HM Revenue & Customs (HMRC), relieving the Commission of any further liability to the remaining members in the NPI Scheme. Payment was made in April 2012, but HMRC subsequently advised the Commission that further information was required to facilitate full closure. Information was provided and the scheme formally closed. The requirement to incorporate details of the Commission's pension scheme as required by IAS 19 is fulfilled in this note.

3.4 Reporting of Compensation Schemes – exit packages

No compensation payments or exit packages were provided in 2013/14 or 2012/13.

Notes to the Accounts for the year ended 31 March 2014

4. Programme costs (including other expenditure)

	2013/14	2012/13
	£'000	£'000
Grants		Restated
Current Grants		
Grants to Private Sector (Law Society & Housing Rights)	157	159
Other Non EU Grants (Law Society)	74	98
	231	257
Depreciation		
Depreciation - PPE	342	383
Amortisation - Intangibles	320	308
	662	691
Other expenditure		
Cash items:		
Staff related costs	38	53
Rentals under operating leases	377	379
Accommodation costs	322	328
Office services	277	182
Contracted out services	69	67
Professional costs	161	123
Audit and accountancy fees	60	60
Consultancy costs	-	(16)
Managed services	308	524
Non-capital purchases	4	8
Judicial costs	256	291
Other	127	65
	1,999	2,064
Non-cash items:		
Revaluation released to SCNE – PPE, Intangibles	3	(54)
Notional charges	529	465
Inter-departmental notional charges	-	47
Increase in provision for doubtful debts	711	396
Provisions: provided for in the year	137,424	135,440
Provisions: written back in year	(35,104)	(43,787)
Provisions: borrowing costs	59	(101)
Provisions: administration costs	10	-
	103,632	92,406
Total other expenditure	105,631	94,470
Interest		
Interest payable and similar charges	5	-
	5	-
Total programme costs	106,529	95,418
Summary of non-cash items		
Pension provisions – employer service cost - present	950	698
Depreciation and Amortisation	662	691
Other expenditure	103,632	92,406
Notional costs	(529)	(512)
Staff costs	(924)	949
	103,791	94,232

The above table of programme costs provides comparative expenditures for cash and non-cash items for the year to 31 March 2014.

Notes to the Accounts for the year ended 31 March 2014

5. Notional Costs

	2013/14	2012/13
	£'000	£'000
Social Security Agency	480	465
Taxing Master Office	49	47
	529	512

6. Income (including other operating income)

The table below provides an analysis of income sources which derive almost entirely from parties supported by Civil Legal Aid:

	2013/14	2012/13
	£'000	£'000
Other non-trading income	1,855	1,599
	1,855	1,599

Notes to the Accounts for the year ended 31 March 2014

7. Property, plant and equipment:

	Furniture & Fittings	Office Equipment	Computer Hardware	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2013	1,139	63	1,886	3,088
Opening balance adjustment	1	1	-1	1
Additions	6	-	2	8
Disposals	-	-	-	-
Revaluation/Indexation released to SCNE	-	-	(8)	(8)
At 31 March 2014	1,146	64	1,879	3,089
Depreciation				
At 1 April 2013	1,058	58	1,164	2,280
Opening balance adjustment	-	-	(5)	(5)
Charged in Year	70	4	268	342
Disposals	-	-	-	-
Revaluation/Indexation released to SCNE	-	-	(5)	(5)
At 31 March 2014	1,128	62	1,422	2,612
Carrying amount at 31 March 2014	18	2	457	477
Carrying amount at 31 March 2013	81	5	722	808
Asset Financing				
Owned	18	2	457	477
Carrying amount at 31 March 2014	18	2	457	477

	Furniture & Fittings	Office Equipment	Computer Hardware	Total
Cost	£'000	£'000	£'000	£'000
At 1 April 2012	1,126	62	1,799	2,987
Additions	2	-	4	6
Disposals	-	-	-	-
Revaluation/Indexation released to SCNE	11	1	83	95
At 31 March 2013	1,139	63	1,886	3,088
Depreciation				
At 1 April 2012	934	54	846	1,834
Charged in Year	113	3	267	383
Disposals	-	-	-	-
Revaluation/Indexation released to SCNE	11	1	51	63
At 31 March 2013	1,058	58	1,164	2,280
Carrying amount at 31 March 2013	81	5	722	808
Carrying amount at 31 March 2012	192	8	953	1,153
Asset Financing				
Owned	81	5	722	808
Carrying amount at 31 March 2013	81	5	722	808

Notes to the Accounts for the year ended 31 March 2014

8. Intangible assets

Computer Software and Licences	Total
Cost	£'000
At 1 April 2013	1,525
Opening balance adjustment	1
Additions	192
Disposals	-
Revaluation/Indexation released to SCNE	26
At 31 March 2014	1,744
Amortisation	
At 1 April 2013	1,093
Charged in Year	320
Disposals	-
Revaluation/Indexation released to SCNE	18
At 31 March 2014	1,431
Carrying amount at 31 March 2014	313
Carrying amount at 31 March 2013	432
Asset Financing	
Owned	313
Carrying amount at 31 March 2014	313

Computer Software and Licences	Total
Cost	£'000
At 1 April 2012	1,458
Additions	-
Disposals	-
Revaluation/Indexation released to SCNE	67
At 31 March 2013	1,525
Amortisation	
At 1 April 2012	740
Charged in Year	308
Disposals	-
Revaluation/Indexation released to SCNE	45
At 31 March 2013	1,093
Carrying amount at 31 March 2013	432
Carrying amount at 31 March 2012	718
Asset Financing	
Owned	432
Carrying amount at 31 March 2013	432

9. Financial instruments

As the cash requirements of the Commission are met through funding provided by the DOJ, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

IFRS 7, Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of the Commission's activities

Notes to the Accounts for the year ended 31 March 2014

and the way in which the Commission is financed, the Commission is not exposed to the degree of financial risk faced by business entities. As permitted by IFRS 7, the Commission has elected to exclude from disclosure all receivables and payables which mature or become payable within 12 months from the Statement of Financial Position date.

Liquidity risk

The Commission is financed by a grant received from the DoJ. As such, it is not exposed to significant liquidity risks.

Interest rate risk

The Commission is not exposed to significant interest rate risks.

Interest rate profile

The following table shows the interest rate and currency profile of the Commission's financial assets:

	Total	Floating-Rate Financial Assets	Fixed-Rate Financial Assets	Non-Interest Bearing Financial Assets	Weighted-Average Interest rate	Weighted-Average Period for which Rate is Fixed	Weighted-Average Period until Maturity
	£'000	£'000	£'000	£'000	%	Years	Years
Gross Financial Assets							
Currency - Sterling							
At 31 March 2014	33	-	33	-	-	-	Note a
At 31 March 2013	16	-	16	-	-	-	Note a
At 31 March 2012	28	-	28	-	-	-	Note a

Note a - the Commission's non interest bearing and fixed-rate financial assets comprise cash at bank and in hand. Cash at bank and in hand is available on demand.

Foreign currency risk

Foreign currency would not usually form part of the Commission's assets or liabilities and as such the Commission is not exposed to any significant foreign currency risks.

Fair values

Set out below is a comparison by category of book values and fair values of the Commission's financial assets at 31 March 2014.

Primary financial instruments	Book value	Fair value
	£'000	£'000
Financial assets:		
Cash at bank at 31 March 2014	33	33
Cash at bank at 31 March 2013	16	16
Cash at bank at 31 March 2012	28	28

Notes to the Accounts for the year ended 31 March 2014

10. Trade receivables and other receivables

10 (a) Analysis by type

	2013/14	2012/13
	£'000	£'000
Amounts falling due within one year		
Trade receivables: Costs	1,653	1,406
Statutory Charge	1,197	684
Contributions	1,577	1,543
Other	74	61
Prepayments	221	163
	4,722	3,857
Doubtful debt provision	(2,255)	(1,769)
	2,467	2,088
Amounts falling due after more than one year		
Trade receivables: Other	-	10
	-	10

Debtors arising as a result of the Commission applying a statutory charge have been shown separately from other costs debtors. The Commission retains the right of recovery from the proceeds of the disposal of the debtor's asset(s).

10 (b) Intra-Government balances

	2013/14	2012/13
	£'000	£'000
Amounts falling due within one year:		
Balances with bodies external to government	2,467	2,088
Amounts falling due after one year:		
Balances with bodies external to government	-	10

11. Doubtful debt provision

	2013/14	2012/13
	£'000	£'000
As at 1 April	1,769	1,629
Doubtful debts written off	(239)	(266)
Doubtful debts written off subsequently recovered	14	10
Charge to the income and expenditure account	711	396
As at 31 March	2,255	1,769

12. Cash and cash equivalents

	2013/14	2012/13
	£'000	£'000
Balance at 1 April	16	28
Net change in cash and cash equivalents	17	(12)
Balance at 31 March	33	16

Notes to the Accounts for the year ended 31 March 2014

The following balances at 31 March were held at:

	2013/14	2012/13
	£'000	£'000
Commercial banks and cash in hand	33	16
Balance at 31 March	33	16

13. Trade payables and other payables

13 (a) Analysis by type

	2013/14	2012/13
	£'000	£'000
Amounts falling due within one year:		
Trade and other payables	1,497	3,641
Accruals and deferred income	3,521	4,425
	5,018	8,066
Amounts falling due after more than one year:		
Other payables, accruals and deferred income	-	25
	5,018	8,091

13 (b) Intra-government balances

	2013/14	2012/13
	£'000	£'000
Amounts falling due within one year:		
Balances with other central government bodies	275	207
Balances with bodies external to government	4,743	7,859
	5,018	8,066
Amounts falling due after more than one year:		
Balances with bodies external to government	-	25
	5,018	8,091

Notes to the Accounts for the year ended 31 March 2014

14. Provision for liabilities and charges

	Civil Legal Aid	Criminal Legal Aid	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
2013-14					
Balance at 1 April 2013	62,123	33,524	1,647	1,329	98,623
Provided in the year	78,074	58,426	960	-	137,460
Actuarial (gain)/loss	-	-	(1,898)	-	(1,898)
Provisions not required written back	(21,601)	(12,479)	-	(1,024)	(35,104)
Provisions utilised in the year	(50,065)	(48,312)	(672)	(148)	(99,197)
Provisions borrowing costs	-	-	59	-	59
Balance at 31 March 2014	68,531	31,159	96	157	99,943
2012-13					
Balance at 1 April 2012	53,254	52,847	907	378	107,386
Provided in the year	80,307	55,133	698	951	137,089
Actuarial (gain)/loss	-	-	807	-	807
Provisions not required written back	(19,689)	(24,098)	-	-	(43,787)
Provisions utilised in the year	(51,749)	(50,358)	(664)	-	(102,771)
Provisions borrowing costs	-	-	(101)	-	(101)
Balance at 31 March 2013	62,123	33,524	1,647	1,329	98,623

Amounts falling due within and after one year.

	Civil Legal Aid	Criminal Legal Aid	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
2013-14					
Not later than one year	35,781	17,137	-	132	53,050
Later than one year	32,750	14,022	96	25	46,893
Balance at 31 March 2014	68,531	31,159	96	157	99,943
2012-13					
Not later than one year	16,403	25,006	-	1,329	42,738
Later than one year	45,720	8,518	1,647	-	55,885
Balance at 31 March 2013	62,123	33,524	1,647	1,329	98,623

In the tables above, re: amounts falling due within and after one year, it should be noted that:

- the total amount of £99,690k in respect of Criminal and Civil legal aid is based upon the estimated provision of existing certificates for work carried out as at 31 March 2014;
- the breakdown of this provision does not represent the forecast funding requirements within and after one year, as;
- there will be additional future costs in relation to the existing legal aid certificates that will need to be factored in from 1 April 2014;
- there will also be the costs of new certificates authorised post 31 March 2014 that would fall due within and after one year.

The clarification above puts in context the provision table within the overall liabilities of the Commission.

Notes to the Accounts for the year ended 31 March 2014

The payment of Civil and Criminal provisions are 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 the Commission, but every effort is made to encourage legal representatives to submit their bills as expeditiously as possible.

From 5 September 2011, the Commission introduced revised time limits for the submission of claims in respect of cases granted an emergency certificate. In addition to curtailing the scope and duration of emergency certificates it is anticipated that the new submission requirements for bills will assist in reducing the Commission's overall exposure to such certificates. The new "Late Submissions" policy was successfully judicially reviewed. A revised policy is being introduced.

Non-Programme provisions: are composed of outstanding pay remit liabilities, national insurance liability in respect of the Commission paying part of the employee's pension contributions to HMRC and legal costs.

15. Capital commitments

The Commission had no capital commitments at 31 March 2014 or 31 March 2013.

16. Commitments under Leases

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

	2013/14	2012/13
	£'000	£'000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	383	383
Later than one year and not later than five years	1,279	1,534
Later than five years	-	128
	1,662	2,045
Obligations under operating leases for the following periods comprise:		
Other		
Not later than one year	15	15
Later than one year and not later than five years	-	-
Later than five years	-	-
	15	15

17. Other financial commitments

- i) The Commission recognises that there is a continuing obligation to fund current cases past the reporting date. It is estimated that this future financial commitment on cases extant as at 31 March 2014 is estimated at £24m (£25m at 31 March 2013).
- ii) Managed Service Contract.

A business case was prepared that examined the options of whether to exercise the Commission's right to extend this contract for one further year. The preferred option within the business case which was accepted by the NILSC management team was to transfer desktop and infrastructure services to IT Assist by 31 January 2014.

Notes to the Accounts for the year ended 31 March 2014

As the business case was only approved at the end of November 2013, this meant that the Commission did not have enough time to safely on-board services to IT Assist before the expiry date of the existing managed service contract. Following DFP approval, the existing contract was extended by 2 months to 31 March 2014 to allow IT desktop and infrastructure services to be moved to IT Assist. The complete on-boarding to IT Assist was completed before 31 March 2014.

18. Contingent Liabilities disclosed under IAS 37

At the date of compiling these accounts, no specific or contingent liabilities have arisen.

19. Summary of Losses and Special Payments

19(a) Losses Statement

Losses

There were 180 (2012/13: 166) cases written off in the period to 31 March 2014 totalling £240k (2012/13 £266k) and 19 (2012/13: 33) recoveries totalling £14k (2012/13: £11k) in respect of amounts previously written off.

There were no extraordinary or consolatory payments made in the year to 31 March 2014 (2012/13: £Nil).

Statutory Charge Losses

A statutory charge system exists whereby if someone gains or keeps money or property with the help of legal aid in a civil case, they may have to repay all or some of their legal costs out of that money or property – if their costs are not recovered from their opponent. Historically, the Commission has treated transfers of both money and property in these cases as being exempt from the statutory charge.

In the year to 31 March 2014, the Commission has not incurred a loss on any debt against which it holds a statutory charge.

19(b) Special Payments

There were no special payments made during the year.

20. Related party transactions

Throughout 2013/14 the Commission operated as a NDPB within the DOJ. During the reporting period 2013/14 the Commission had various material transactions with the NICTS within the DOJ.

Commission members and top management are required to declare any personal, financial and business interests which may conflict with their duties to the Commission. Members may not participate in Commission discussions or decisions on policy or financial matters where a conflict of interest arises.

Notes to the Accounts for the year ended 31 March 2014

During the year ended 31 March 2014 the Commission entered into a number of material transactions with some Commission members, other related parties or their close family members. These transactions are detailed below. External members of the Commission were required to declare any personal, financial and business interests which constituted material transactions with the Commission. Any immediate connections with the Legal Aid Fund and these members, or the organisations with which the members are associated, have been declared below.

The figures below relate to the transactions in respect of funded work and include payments on account, disbursements which may be payable to third parties, and fees payable to counsel. The amounts are stated inclusive of VAT, as this is a cost to the Commission. All transactions are for the period 1 April 2013 to 31 March 2014 unless otherwise stated. The transactions do not reflect annual earnings as they might include fees for work carried out in previous years, but not billed until this financial year. They may also exclude fees for work carried out in 2013/14 but not yet billed.

Mr Miceal McCoy was a Commissioner to 31 July 2013. His brother-in-law, Mr Gerry Grainger is a barrister who undertakes legal aid casework. No payments were made to Mr Grainger in the year to 31 March 2014.

Mrs Fiona Donnelly is a Commissioner and solicitor with Fiona Donnelly Solicitors. No payments were made to Fiona Donnelly Solicitors in the year to 31 March 2014. She is also remunerated for her work in the Institute of Professional Legal Studies at Queen's University Belfast. £100 was paid to Queen's University Belfast in the year to 31 March 2014.

Mr Joseph Donnelly was a Commissioner to 31 August 2013 and a solicitor with Anderson Agnew and Company Solicitors. His cousins, Mr. Damien Agnew and Mr. Brendan Agnew, are partners in Anderson, Agnew & Co Solicitors. Anderson Agnew and Co. received legal aid payments of £3,168.33 in the year to 31 March 2014. A cousin Mr. Seamus Agnew is a partner in Agnew Andress Higgins Solicitors. Agnew Andress Higgins Solicitors received legal aid payments of £93.78.

Ms. Breidge Gadd was a Commissioner to 31 July 2013 and is also a columnist with the Irish News newspaper. During the year to 31 March 2014 the Commission placed advertisements in various newspapers including £574.26 in the Irish News.

Mrs Gillian McGaughey is a Commissioner and a barrister. No payments were made to Mrs McGaughey in her role as a barrister in the year to 31 March 2014. She is remunerated for her work in the Institute of Professional Legal Studies at Queen's University Belfast. £100 was paid to Queen's University Belfast. Her sister is a partner in Deloitte Touche. In the year to 31 March 2014 no payments were made to Deloitte MCS Ltd.

No member of the top management team or Commissioner has undertaken any material transactions with the administrative functions of the Commission during 2013/14.

External committees which deal with refusal of legal aid and assessment of bills in civil proceedings, and legal aid bills in criminal proceedings, are comprised of external

Notes to the Accounts for the year ended 31 March 2014

members of the legal profession. As committee members they are paid a standard attendance fee and as members of the legal profession they may receive payments in respect of legal aid casework.

21. Third party funds

Awards for damages to funded clients may be required by the Commission to offset any liability to the Legal Aid Fund. The Commission places these funds on deposit in separate individual client 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 for the 12 months ended 31 March 2014 was as follows:

	2013/14	2012/13
	£'000	£'000
Balance at 1 April	76	125
Damages received	148	159
Interest received	3	3
	227	287
Less:		
Sums repaid to assisted persons	(137)	(186)
Damages retained	(25)	(25)
Balance at 31 March	65	76

These are not included within the Commission's assets as they do not belong to the Commission. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances, monies on deposit and listed securities.

22. Events after the reporting period

There were no events occurring after the reporting date that require disclosure.

Date of Authorisation for issue

The Accounting Officer authorised these financial statements for issue on 11 February 2015.

Notes to the Accounts for the year ended 31 March 2014

<p>Appendix 1 – Business Plan</p> <p>Business Support and Corporate Governance Programme 2013-14</p> <p>Strategic Themes</p>	<p>Target Date</p>	<p>Performance against Target</p>
<p>Theme 1 Access to Justice</p> <p>This theme covers contributing to the strategic development of the future direction for the delivery of access to justice. It includes work currently undertaken by the Commission and work to which the Commission will contribute as part of the Departmental Action Plan. The theme involves seeking to deliver access to justice to those who cannot afford to enter into litigation at their own expense while delivering value for money in terms of the cost of assistance and the quality of the assistance provided.</p> <p>Strategic Objectives:</p> <p>To deliver Commission led reform of Civil Legal Services, including the development of the Funding Code and the implementation of Civil Legal Services and assessment of legal need.</p>	<p>31 March 2014</p>	<p><u>Remuneration Project – Establishing Revised Fees</u></p> <p>The Commission is represented on the Project Board and Project Team led by the DOJ to develop standard fees across all court tiers in a phased approach.</p> <p><u>Grant to Law Centre NI 2013-15</u></p> <p>Law Centre Grant compliance work was completed within target.</p> <p><u>Grant to Housing Rights Service 2013-14</u></p> <p>The compliance work for the Grant was completed within target.</p> <p><u>Financial Eligibility for Civil and Criminal Legal Aid</u></p> <p>The Commission provided input to the Department on the Response to the Consultation and also provided further analysis of the legislative requirements within the Financial Eligibility.</p> <p><u>Remuneration Order</u></p> <p>The Commission is drafting instructions for the operational requirements of the Commission for input to the Remuneration Order.</p>

Notes to the Accounts for the year ended 31 March 2014

<p>To introduce a statutory Registration Scheme for all legal aid service providers including Solicitors, Barristers and the not for profit and voluntary sector providers.</p> <p>To continue to work with the Department of Justice in the reform projects within the Departmental Action Plan for projects following the Minister's decisions on the Access to Justice Review.</p> <p>To participate in commissioning research and being active members of working groups to deliver specific strands of the reform programme as set out in the Departmental Action Plan.</p>		<p><u>Levels of Representation Civil and Family Courts Project 25</u></p> <p>The Commission drafted operational Guidance. The Registration Scheme (Project 34) transferred to the Department on 18 December 2013 and was subsequently reconstituted. The Commission is represented on the Project Board and Project Team.</p> <p>The Commission is working to support the Department with its Costs Savings Plan which forms part of the Departmental Action Plan.</p> <p>Assessment of Resources Regulations NI were reviewed and sent to PLSD in November 2013 as the final phase of the Commission's review of the extant NI Legal Aid Legislation and comparative analysis with Funding Code/CLS Regulations.</p> <p>The Department published proposals for proposed new Appeals procedure. The Commission continues to work with the Department to support the revised arrangements.</p> <p>The Commission is working with the Department within the Project Board to explore options for money/damages cases.</p>
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Notes to the Accounts for the year ended 31 March 2014

<p>Theme 2 Delivery of Existing Services</p> <p>This theme deals with the Commission's commitment to refine and improve delivery of its existing statutory services of granting and administering civil legal aid and administering criminal legal aid on foot of certificates granted by the judiciary.</p> <p>In delivering existing services, the Commission will aim to ensure value for money within the resources available to it, while working with its sponsor to manage the projected financial pressure in 2013/14 and move towards living within the resources available.</p> <p>In all of its activities, the Commission will seek to enhance its accountability and governance in the delivery of these services.</p> <p>Strategic Objectives</p> <p>To enhance processes to consolidate performance and deliver increased value for money.</p> <p>To deliver our core business performance standards.</p> <p>To lay before the NI Assembly audited Annual Report and Accounts for 2012/13 in keeping with the timetable agreed with our Sponsor. To work with the Department to develop and implement an action plan for the removal of the current account qualifications.</p> <p>To work with our Sponsor to manage the financial pressure in 2013/14.</p> <p>To improve forecasting and controls to enable the Commission to move to the position of living within its available resources.</p>	<p>31 March 2014</p>	<p>The Commission is working towards introducing a contract for the delivery of Interpreting Services. In addition, a staffing review is currently underway which will inform the future structure of the Commission/ Executive Agency.</p> <p>The Commission has introduced arrangements to ensure that procurement and contract management arrangements are in line with Departmental requirements.</p> <p>The Commission audited Annual Report and Accounts for 2012/13 were laid before the Assembly on 9 July 2013 in keeping with the timetable agreed with the Sponsor Department.</p> <p>Joint Forecasting Meetings continued to take place on a regular basis with the Sponsor to identify and manage the financial pressures.</p> <p>The Commission is working closely with the DOJ to develop and implement an agreed approach on forecasting and Provisions reporting for year-end statutory accounts. This will continue to progress in 2014/15.</p>
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Notes to the Accounts for the year ended 31 March 2014

<p>Theme 3 Preparing for Change</p> <p>This theme deals with preparing the Commission for organisational change and preparing stakeholders and providers for changes in the manner in which the Commission oversees the provision of publicly funded legal services.</p> <p>Strategic Objectives</p> <p>To ensure that the organisation is prepared for the transition to any changes approved by the Minister of Justice in respect of structure and business processes.</p> <p>To ensure the Commission’s staff are equipped to implement and manage change and to adapt to a different operating environment.</p> <p>To make significant progress in resolving longstanding issues in respect of pay and pensions.</p>	<p>31 March 2014</p>	<p>The Commission is represented on the Legal Services Project Board which meets on a monthly basis. The Project Board oversees a range of projects to facilitate the introduction of the Legal Services Agency. Personnel from across the Commission are working with DOJ colleagues to deliver the associated projects.</p> <p>Since March 2014, the DOJ’s website hosts Commission content. Work has also commenced on re-branding for the Agency</p> <p>The Commission’s IS Strategy has been aligned with both the DOJ and NICS strategies and was approved by the Board in March 2014. Delivery against the action plan is now considered a priority.</p> <p>The majority of the on-boarding activities to IT Assist were completed by 31 March 2014.</p> <p>A corporate training plan focussed on skills for the change to DOJ facing policies and procedures falls within the remit of the DOJ project team working on the transition to agency status.</p> <p>Pay: The Commission’s Pay Strategy Business Case was approved on 15 January 2014. Pay remits were approved on 1 April 2014 and pay arrears issued to staff on 28 April 2014.</p> <p>Pensions: Current pension arrangements will continue until Agency status. All staff have been notified of this as part of pay settlement.</p>
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Notes to the Accounts for the year ended 31 March 2014

<p>To develop and deliver a communication strategy and action plan for any change in the status of the Commission for staff and stakeholders.</p>		<p>The Commission circulates messages from the Chairman and the TMT to staff as part of its communication strategy to ensure staff are informed of changes as the Commission moves to an Executive Agency.</p>
<p>To develop and deliver a communication strategy for providers of publicly funded legal services on new requirements as part of changes to the legal aid scheme.</p>		<p>The strategy will be developed further as the Commission moves towards Agency status in 2014. In the interim the Commission has continued to issue circulars to the profession in relation to the current Schemes and has published further guidance in relation to the Civil Legal Services when this has been approved by the Board.</p>

**Report of the Comptroller and Auditor General
Year ended 31 March 2014**

Background

1. The Northern Ireland Legal Services Commission (NILSC) was established on 1 November 2003 under the Access to Justice (Northern Ireland) Order 2003 to provide Legal Aid in Northern Ireland. It is responsible for administering Civil and Criminal Legal Aid and it is currently a Non Departmental Public Body under the Department of Justice (DOJ). As noted in NILSC's annual report at page four, they plan to move to agency status in Spring 2015.
2. A qualification has been attached each year to Legal Aid expenditure since the establishment of NILSC. I am again qualifying the 2013-14 financial statements on the same basis as the previous financial year.
3. I published a report in June 2011, highlighting a range of concerns in relation to the administration of Criminal Legal Aid¹ which were subsequently considered and reported upon by the Public Accounts Committee (PAC)² in October 2011. The Committee concluded in its report that the absence of a cohesive counter-fraud strategy, based on established best practice meant that NILSC was not well placed to manage the risk of fraud. It recommended that NILSC take urgent action to identify the risk of fraud and establish proactive counter-fraud measures to manage it. NILSC continues to make progress in this regard which is described in more detail within this report.

Purpose of the Report

4. I am required to examine, certify and report upon the financial statements prepared by NILSC under the Access to Justice (Northern Ireland) Order 2003 as amended by the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010.
5. The purpose of this report is to explain the background to my qualifications on the NILSC Account for the year ended 31 March 2014. I have qualified the financial statements on the basis of two limitations in scope on my work due to insufficient evidence available to:
 - (i) *satisfy myself that material fraud did not exist within eligibility assessments of Legal Aid applicants and in payments to legal practitioners from Legal Aid funds (Programme Costs) (£98.4 million); and*

1 NIAO Report "Managing Criminal Aid" published 29 June 2011.

2 Report NIA 20/11-15 Public Accounts Committee – Managing Criminal Legal Aid, Session 2011/2012, dated 26 October 2011.

**Report of the Comptroller and Auditor General
Year ended 31 March 2014**

- (ii) *support the assumptions and judgements used to calculate Legal Aid provisions (£99.7 million).*

Limitation in scope arising from insufficient evidence to satisfy myself that material fraud did not exist within Legal Aid grant expenditure

6. Legal Aid costs in 2013-14 were made up of bills received from practitioners and charges or credits from provisions to give a total expenditure of £102.4m (Civil £56.6m and Criminal £45.9m).
7. There are two aspects to the limitation in scope in respect of fraud. Firstly there was insufficient evidence to support the eligibility of certain Legal Aid applications and secondly there was insufficient evidence to support payments to legal practitioners.

Eligibility

8. Means tested Legal Aid carries a risk that Legal Aid is granted to individuals who are not eligible if income details are misstated on initial application, or if changes in financial circumstances that arise during the case are not reported by the claimant. NILSC depends significantly upon third parties to verify the eligibility of Legal Aid applications. In Civil cases, eligibility is assessed by solicitors and the Legal Aid Assessment Office (LAAO)³. In Criminal cases, a judge decides upon an applicant's eligibility which is done following confirmation from the LAAO (in 10% of applications) that the applicant is in receipt of the benefit they have stated. However the court has a legal obligation where there is doubt, over the applicant's means or the merits of the case, to resolve those doubts in favour of the applicant. Therefore it is difficult to estimate how much of Criminal Legal Aid is dependent upon an assessment of benefits being claimed. Civil Legal Aid schemes are complex with greater scope for fraud or error in assessing eligibility.
9. My main concerns relate to eligibility assessments under the remit of the LAAO. There are two aspects of the process involved. Firstly, as LAAO has access to the benefits system, it can confirm that benefits are being paid as claimed in Legal Aid application forms. There is an inherent level of fraud within the benefits system that will also impact on Legal Aid payments. This applies to both Civil and Criminal Legal Aid. Secondly, for applicants who are not in receipt of benefits, for example those employed or self-employed, LAAO rely upon the declarations made in application forms and supporting verification documents, such as payslips and accounts, in order to assess the amount of contributions payable towards Legal Aid costs.
10. NILSC has yet to develop a model to estimate its exposure to fraud. NILSC is working with the SSA to estimate the proportion of applicants who would have lost benefit entitlement (and thereby not 'passported' for legal aid) as a more accurate assessment. NILSC is again unable to provide me with an estimate of the level of

³ The Legal Aid Assessment Office is part of the Social Security Agency in the Department of Social Development.

**Report of the Comptroller and Auditor General
Year ended 31 March 2014**

fraud or error present within the benefits checked by LAAO in determining Legal Aid eligibility.

11. As part of the 2012-13 audit, my staff found that the statutory computation which the LAAO is required to apply to Civil Legal Aid applications is the applicant's eligibility for a period of 12 months, yet Civil Legal Aid cases can run for as long as nine years and an applicant's circumstances may change in the period from assessment to the payment being made. During 2013-14 NILSC reviewed a sample of current legal aid certificates as part of a pilot exercise in order to assess whether applicants remained eligible for legal aid. The outcome of the pilot has yet to be formally reported. NILSC does not currently have legislative power to assess financial eligibility before the final bill is paid.

Payments to Legal Practitioners

12. I am particularly concerned about the level of fraud in payments to legal practitioners, and increasingly in relation to Civil Legal Aid. The nature of the Legal Aid scheme, in making payments to legal practitioners for services which are directly provided to Legal Aid claimants, creates difficulties for NILSC in determining whether the services were appropriately provided, or if overpayments have been made. Currently, NILSC does not produce an estimate of the likely scale of fraud and error in respect of payments to legal practitioners.
13. In 2013-14 there was evidence of continued progress by NILSC in relation to reducing the risk of fraud and error in Criminal Legal Aid payments. Of the £63.0 million Criminal Legal Aid bill, £43.0 million related to new standard fees⁴ arrangements. Over time this risk will reduce further, as cases under the old rules (with varying fees claimed per case type) pass out of the system leaving a better controlled caseload under the new costing arrangements.
14. PAC recommended in its 2011 Report, that NILSC should establish a robust inspection regime, including visits to the offices of legal professionals. During these visits, practitioners' records should be inspected, ensuring there is adequate supporting evidence for bills issued and to confirm the eligibility of applicants at the time of payment. Although there was no formal inspection regime in place NILSC carried out a review of a number of High Cost Cases during 2013-14. Two of these reviews took place in solicitor's offices.
15. NILSC has continued with its 1% compliance check of Criminal and Civil case files during 2013-14 to review supporting evidence for practitioners' claims on the Legal Aid Fund. There is evidence of CDS targeting areas of higher risk and increasing monitoring of certain fees and solicitor firms in response to results of the additional ICOS checks (which form part of the 1% check). A number of claims were also adjusted downwards. No criminal cases were referred to Counter Fraud as a result of the 1% Check during 2013-14. Of a total 59 cases assessed by the Civil Section (3 Quarters) 1 case was referred to counter fraud unit for further

⁴ Standard fees adopted in the 2009 Magistrates' Courts Rules and 2011 Crown Court Rules

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investigation. I note NILSC's intention to incorporate counter fraud checks into the overall assessment process.

16. I have been advised that DOJ has assumed responsibility for the Statutory Registration Scheme from December 2013. The Department issued a consultation paper in July 2014, with the consultation closing on 24 October 2014. Discussions are ongoing with the Bar Council and the Law Society in relation to the introduction of the Scheme. This work is also being taken forward in tandem with the ongoing discussions between NILSC and NIDirect to implement a new IT system. The necessary legislation to introduce the Registration Scheme is subject to the affirmative resolution process before the Assembly and as such it is likely that the formal introduction of the Scheme will be in early 2016.
17. In the absence of a formal inspection regime, NILSC is somewhat dependent upon whistleblowers to identify cases where fraud is present in Legal Aid claims. Staff within NILSC continue to identify suspicious claims which they refer for further investigation by the Counter Fraud Unit. Under the provisions of Managing Public Money Northern Ireland, NILSC has notified its sponsor of a number of suspected frauds. In one of the cases a solicitor is before the court, in relation to a potential fraud. Another case involved over-claiming of hours billed by a solicitor's firm. This is currently being investigated by the PSNI.
18. Given the weaknesses that remain in the counter fraud arrangements for the eligibility of applicants and payments to practitioners, I have limited the scope of my audit opinion on regularity because I have been unable to obtain sufficient audit evidence to enable me to conclude that payments to legal professionals are regular.

Limitation in scope arising from insufficient evidence to support the rationale used and judgements made when calculating provisions.

19. During 2013-14 NILSC developed a new provisions methodology for civil high cost cases however, the provisions methodology for non-high cost cases and criminal high cost cases remained the same as that applied in previous years. We are encouraged by the work already carried out to address the estimation of provisions and understand that the new methodology will be implemented for 2014-15 financial statements. However, in 2013-14 issues with the application of the accounting policy, estimation technique and disclosures used by NILSC in estimating outstanding liabilities for services provided by legal practitioners to Legal Aid claimants at each financial year end remained. These liabilities are referred to as Legal Aid provisions and the figures are outlined in the table below.

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Legal Aid Provisions at 31 March 2014

	Provision at 1 April 2013 £ million	Provision at 31 March 2014 £ million
Civil	62.1	68.5
Criminal	33.5	31.2
Total	95.6	99.7

20. Legal Aid provisions, valued at £99.7 million at 31 March 2014 (31 March 2013: £95.6 million), are estimated by NILSC in two ways. For Very High Cost Cases (VHCCs)⁵ amounting to £4.0 million for 13-14 (12-13 £7.1 million) the provision is estimated on a case by case basis and the 2009 rules mean that NILSC receives regular reports on costs from legal representatives. The basis of calculation of VHCC is reasonable. Provisions for all other Legal Aid certificates granted, £95.7 million for 13-14 (12-13 £88.5 million), were valued using a number of assumptions including; assumptions on the lifecycles⁶ of cases, the number of cases which will not result in costs, and the average cost for each type of case.
21. Key weaknesses on Legal Aid provisioning were identified in previous audits and continue to recur in 2013-14. These relate to the lifecycle assumptions used and whether they were based on worst case scenarios which were not reflective of normal trends and average costs assumptions. As part of its ongoing review of provisions NILSC has been seeking to identify ways to improve its methodology. NILSC is now employing a staged approach to address the issues and plan to develop methodologies for Criminal Legal Aid and then translate these to apply to more complicated Civil Legal Aid arrangements.
22. Legal Aid provisions are challenging to estimate but ensuring that the basis and assumptions used to estimate provisions are reasonable is important for not only the preparation of the financial statements which I audit, but also for ensuring robust budgeting systems going forward. The estimation of these liabilities is, by nature, extremely difficult due to the current out-working of the Legal Aid scheme.
23. In my last report I recommended that NILSC should consider re-engineering its operational practices to reduce the level of outstanding liabilities that need to be estimated. In doing so NILSC could improve its control over such significant expenditure. NILSC did introduce a more robust policy dealing with late submission of bills. However as a result of a Judicial Review (iro 10 individual cases), Mr Justice Tracey ruled in February 2014 that NILSC's policy on late submission of

5 As defined by The Legal Aid for Crown Court Proceedings (Costs) Rules (Northern Ireland) 2005 and The Magistrates' Courts and County Court Appeal (Criminal Legal Aid) (Costs) Rules (Northern Ireland) 2009, also referred to as the 2005 and 2009 Rules.

6 Lifecycle refers to the estimated time it takes to complete each type of case, from when the Legal Aid certificates are granted to when the legal professionals' bills are paid. Lifecycle assumptions are particularly important because they affect the number of Legal Aid certificates which will be included within the calculation of Legal Aid provisions.

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legal claims was unlawful. Following judgement, NILSC revised its policy which was agreed by the NILSC Board in May 2014 and will be issued for consultation to the Law Society and Bar Counsel during 2014-15. The revised policy is to be implemented during 2014-15. NILSC continued to operate the late claims policy until Dec 2013 - 2779 claims (out of 3280) have been disallowed at a cost of £716,940.

24. NILSC continue to refine the process for estimating provisions for Civil High Cost Cases. The process for managing Civil High Cost cases forms part of NILSC's Legal Aid Provision and Forecast Model Revised Methodology – issued in 31 July 2014.
25. Progress has been made during the financial period to address these audit qualifications, and I welcome the steps that NILSC are now taking towards improving the calculation of provisions.

Other reporting matters

26. In addition to the two qualifications, it came to my attention during the audit of the 2013-14 accounts that legislation which came into effect in 2012 is not being fully implemented by NILSC. The Criminal Legal Aid (Recovery of Defence Costs Order) Rules (Northern Ireland) 2012 came into effect in October 2012. The Rules provide for orders for the recovery of defence costs to be made against legally aided defendants who have been convicted in the Crown Court. The Purpose of such an order is to recover a part of legal aid costs incurred under a criminal aid certificate as is reasonable in the circumstances. NILSC has not made full use of these regulations for a number of reasons:

- There is limited information available to NILSC regarding convictions;
- NILSC does not have access to the necessary means testing returns; and
- The Rules indicate that the following assets should be taken into consideration: capital over £3,000; equity in that person's principal residence over £100,000; gross annual income over £22,235. However, in reality, it is likely that only a small proportion of defendants would have sufficient resources which could be release to cover defence costs.

Conclusion

27. Despite raising concerns in 2011-12 and again in 2012-13 there is still insufficient evidence to determine the level of fraud or error regarding the eligibility of legal aid payments. However, I understand that NILSC is working on developing a model to estimate its exposure to fraud and recommend that this is taken forward as a matter of urgency.
28. Although there was some progress in developing a new provisions methodology for civil high cost cases, the provisions methodology for non-high cost cases and criminal high cost cases remained the same as that applied in previous years.

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As a result, there remains insufficient audit evidence to support the assumptions used and to provide assurance that material misstatement does not exist. I am aware that a revised methodology will be applied in 2014-15 and will review this methodology as part of my audit of the 2014-15 accounts.

29. Finally, Criminal Legal Aid (Recovery of Defence Costs Orders) Rules (Northern Ireland) 2012 are not being applied in the way in which it was intended. I understand that NILSC has been liaising with the Department of Justice to resolve this issue.



**K J Donnelly
Comptroller and Auditor General**

Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

11 February 2015

An executive summary of this document is also available in an accessible format if required i.e. Braille, large print, audio cassette or in a minority ethnic language.

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

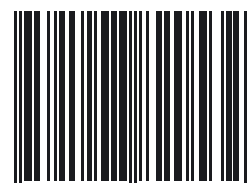
Telephone 028 9040 8888
Email: accesstojustice@nilsc.org.uk

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