

LEGAL SERVICES AGENCY
NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS 2023-24

LEGAL SERVICES AGENCY
NORTHERN IRELAND

ANNUAL REPORT AND ACCOUNTS 2023-24
For the year ended 31 March 2024

Laid before the Northern Ireland Assembly under section 11(3) (c) of the
Government Resources and Accounts Act (Northern Ireland) 2001
by the Department of Justice
on 5 July 2024



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Any enquiries regarding this publication should be sent to us at enquiries@lsani.gov.uk or Legal Services Agency Northern Ireland, 3rd Floor AIB Building, 92 Ann Street, Belfast, BT1 3HH.

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PERFORMANCE REPORT

OVERVIEW

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

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

FOREWORD BY THE CHIEF EXECUTIVE

I am pleased to present the Annual Report and Accounts of the Agency for the financial year ended 31 March 2024.

The Agency facilitates access to justice by delivering timely and high-quality decisions and payments which secure value for money.

2023-24 followed the pattern of 2022-23 with high values of bills being submitted as the justice system continues to recover. The Agency again benefited from additional funding approved by the Secretary of State which enabled the Agency to pay out the highest sum in the history of the legal aid scheme and as a result, eased the level of unassessed bills during the financial year.

The Agency maintained its strong performance against our Corporate Plan 2022-2025. The Agency delivered against all of its operational targets set in the 2023-24 Business Plan and has developed its 2024-25 Plan to further challenge itself and the service it provides.

The Agency welcomed the decision of the Comptroller and Auditor General (C&AG) to remove the qualification from the Agency's accounts in respect of limitations in scope in relation to the valuation of the provisions estimate. This year, the Agency has further strengthened the inactivity controls in this area.

The Agency continued work to address error and fraud. The Agency's Official Error rate for 2023 was 4.0%¹, a reduction of 0.8 percentage points from 2022.

¹ This 2023 Official Error rate of 4.0% includes a small number of notional underpayments (Additional Fees), identified by SAU at the point of testing. However, as these Additional Fees were processed in a timeframe in accordance with business arrangements and subsequently paid correctly and entirely before the end of the 2023 timetable, there was no actual underpayment or error to the legal aid fund. It is the view of the Agency that these notional underpayments should not contribute to the overall error rate and removing them generates a rebased Official Error rate of **3.4%, equating to a reduction of 1.4 percentage points since 2022.**

FOREWORD BY THE CHIEF EXECUTIVE (CONTINUED)

The Future Overpayments Prevention work dealing with applicant error and fraud produced estimated savings of £101k against the 2022 figure of £76k. In 2023, the baseline for practitioner error and fraud was established, the estimate stood at 6.5%². The Standards Assurance Unit (SAU) within the Department for Communities (DfC) delivers the error programme for the Agency under a Memorandum of Understanding (MoU).

The Agency values its people and has been putting in place measures to address feedback from staff attitude surveys and identify appropriate training across the Agency. Agency staff have continued to work with legal service providers and the wider justice system to facilitate access to justice. As part of this commitment the Agency continues to work with policy colleagues to support ongoing reforms to legal aid and other justice system initiatives. The Agency also continues to strengthen its relationships with external bodies and providers of legal services.

On behalf of the Senior Management Team, I acknowledge the contribution of all the staff of the Agency during 2023-24 in delivering the Business Plan and responding to the challenging environment. We appreciate the support and dedication everyone in the Agency has shown to supporting and facilitating access to justice.

I also acknowledge the contribution of the Agency's Non-Executive Board members and thank them for their support, oversight, and guidance throughout the year. I take this opportunity to acknowledge the ongoing engagement of the Law Society and Bar Council during 2023-24.

The operational landscape remains challenging with heavy demand for services. However, the Agency will continue to work with Departmental colleagues and the professional bodies to deliver our core services, to enhance our digital capability and governance arrangements.

Paul Andrews
Chief Executive and Accounting Officer

² As per footnote 1, this 2023 Practitioner Error and Fraud baseline rate of 6.5% includes a small number of notional underpayments (Additional Fees), identified by SAU at the point of testing. Removing these Additional Fees, that ultimately did not result in any error to the legal aid fund, generates a rebased Practitioner Error baseline of **5.0%**, which the Agency considers to be more accurate.

STATEMENT OF PURPOSE AND ACTIVITIES

The role of the Legal Services Agency in Northern Ireland

The Agency supports the justice system and enables access to justice by administering publicly funded legal services impartially, effectively and efficiently within the established governing legislative and policy framework.

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

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

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

How we deliver

The Agency's main deliverables include:

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

Our vision

The Agency's Vision is to ensure that NI citizens are confident that we provide fair and transparent access to funding for services to support their access to justice.

Mission Statement

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

Our values

All of us within the Agency seek to uphold the Northern Ireland Civil Service (NICS) values³ of:

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

We have also committed to the following values:

Leadership

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

Making a difference

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

³ <https://www.finance-ni.gov.uk/publications/nics-code-ethics>

Our strategic aim

Our aim is to support the justice system and to facilitate access to justice by delivering timely and high-quality decisions and payments which secure value for money. As an Agency of the DoJ, the LSA operates under a [Framework Document](#), which sets out the arrangements for the effective governance, financing and operation of the Agency.

Our strategic objectives

The Agency's five strategic objectives for 2022-25 are outlined below.

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

Going concern

In accordance with the Government Financial Reporting Manual, the financial statements for the Agency in respect of the financial year to 31 March 2024 are prepared on a going concern basis. The going concern basis is set out in Note 1.2 to the Accounts.

The Statement of Financial Position as at 31 March 2024 shows a net liability of £164m (2022-23: £147m). This reflects the inclusion of liabilities for legal aid provisions falling due in future years, which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from expenditure approved annually by the Northern Ireland Assembly or Parliament, to meet the Net Cash Requirement of the DoJ which funds the Agency. Under the Government Resources and Accounts Act 2001, no money may be drawn from the Fund by the Department other than required for the service of the specified year or retained in excess of that need. There is no reason to believe that the future approvals will not be forthcoming. Accordingly, it has been considered appropriate to adopt a going concern basis for the preparation of the Agency's financial statements for 2023-24.

Equality

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

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

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

The Agency's people

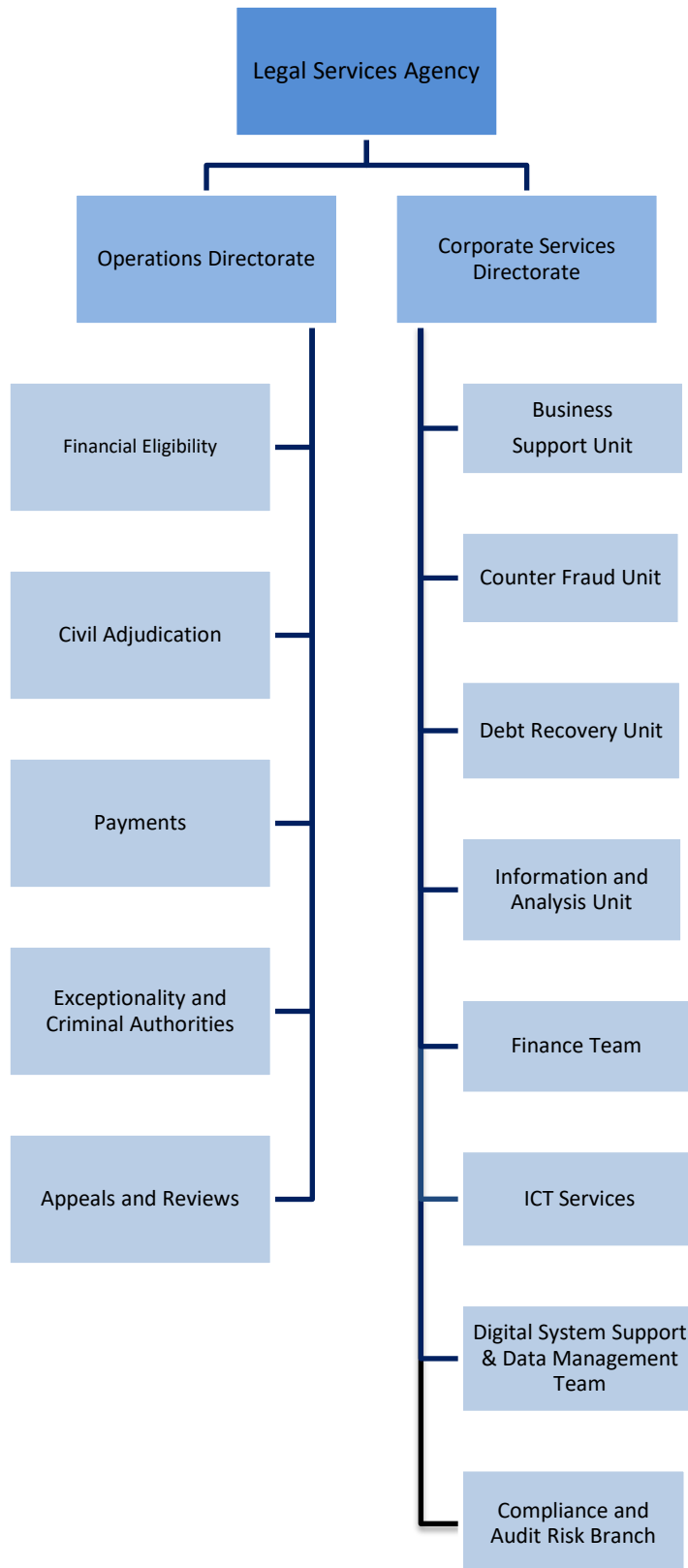
The Agency's people are at the heart of everything we do, with two thirds employed in front line services.

All our Agency staff continue to have access to the required technology to facilitate staff working from home and to support digital communications. The NICS Hybrid Working Policy has now been fully embedded by the Agency.

Resourcing remained an ongoing challenge for the Agency as supply of staff from promotion lists has not been available or sufficient to meet demand across the NICS for the majority of the year. However, the majority of priority posts were filled substantively by the end of the year. Vacancies throughout the year have made it more difficult to meet all of our targets.

Organisational Structure

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



Operations Directorate

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

Assessment of financial eligibility

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

Civil adjudication

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

Payments

Payment Services assess requests for payments for legally aided cases funded under civil and criminal legislation. Improving accuracy and addressing error and fraud in the payment of legal aid is a key feature of their work to ensure we pay practitioners what they are entitled to and to prevent and detect fraud and error.

Exceptionality and authorities

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

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

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

Operations Directorate (continued)

The Team also deals with criminal authorities requests for the engagement of experts in cases, advice and assistance extensions where the initial advice and assistance has not been sufficient to provide appropriate advice and interpreter/translation requests for those who need them in ensuring they have fair access to justice. In October 2023, the assessment of the means and merits of advice and assistance applications which was previously conducted by the Financial Eligibility Unit transferred to EAU.

EAU are also responsible for the administration of the Agency's Future Overpayment Prevention Programme which forms part of the Agency's wider Counter Fraud and Error Strategy.

Appeals and reviews

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

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

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

Corporate Services Directorate

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

Business Support Unit (BSU) - promotes effective communications and secretariat support, oversees governance, business cases and contract management, and enables the Agency to meet its statutory requirements under the Freedom of Information and Data Protection Act. BSU is also responsible for security, premises, health and safety and web and intranet uploads. The Records and Information Management team is also part of BSU and covers records management within the Agency.

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

Debt Recovery Unit - oversee the collection of monies due to the LSA, interpreting and assessing recoverability and taking action to recover or write off. A debtor may be an assisted person or the non-legally aided party in an action where the assisted person was successful. The debt payable to the Agency will have arisen as a result of a court order, legal aid contributions, a revoked legal aid certificate, or the application of the statutory charge.

Information and Analysis Unit - including independent Northern Ireland Statistics and Research Agency (NISRA) statisticians, the Unit leads in the development of management information and formal publication of Official Statistics. It also undertakes a range of analytical research for the Agency and the wider Department while providing statistical assurance in support of the fraud and error workstream.

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

ICT Services - the ICT function is also supplied as a shared service from the Department. ICT Services is responsible for managing the provision of infrastructure, desktop/laptop and connectivity, provision of ICT Support, delivery of IT projects and new technical solutions to support LSA and provision of IT security and technical advice within LSA. The team works closely with LAMS Support to ensure that LAMS remains secure, to provide technical expertise and to facilitate implementation of infrastructure changes.

Corporate Services Directorate (continued)

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

Data Management Team - is responsible for reviewing and progressing aged and inactive cases currently open, which are unlikely to attract a request for payment in the future and to establish which cases should be closed.

Compliance Audit and Risk Branch - co-ordinates and analyses all strands of error across the Agency including official, practitioner and applicant. The team is also responsible for the design and delivery of the Statutory Registration Scheme whereby they will perform holistic audits of practitioner's files to improve quality of service and further reduce fraud and error in the system.

Working with partners and providers

Legal aid is an important component of the justice system in Northern Ireland. The Agency works with a wide range of providers of legal services and other justice partners and key stakeholders including, but not limited to the Office of the Lady Chief Justice, the Judiciary, the Bar Council, the Law Society, the Guardian Ad Litem Agency, the Northern Ireland Courts and Tribunals Service, the Public Prosecution Service, the Police Service of Northern Ireland and voluntary sector organisations. The Agency's relationships with these stakeholders and providers are central to the work of the Agency.

The Agency has been actively engaged in the following:

- stakeholder engagement with the Law Society and Bar Council monthly via the Operational Forum to maintain positive working relationships, ensure key information is exchanged on a timely basis, drive improvements in the submission of applications and bills through guidance and messaging, collaborate on measures to ensure that work to deal with the fraud and error qualification is understood and successfully communicated;
- stakeholder collaboration through a Legal Aid Management System (LAMS) Change Forum with the profession to identify and facilitate change requests to enhance LAMS.
- jointly presenting a number of Continuing Professional Development events organised by the Law Society, including awareness sessions at the Institute;
- Magistrates' and Family Courts working groups to ensure that the Agency supports the work of the Courts;
- interaction with the Enabling Access to Justice Division in DoJ to develop legal policy and deliver improvements in efficiency and effectiveness;
- interfacing with the Courts to resolve issues in particular cases or improve data sharing;
- interacting with the Courts and Public Prosecution Service in relation to cases and recovery data;
- reform projects which impact on civil legal services or criminal legal aid; and
- the Shadow Family Justice Board and the Shadow Civil Justice Council.

The Agency has regular engagement with the organisations outlined above on key operational issues. Staff within the Agency maintain open contact with the supplier base to ensure the smooth running of the Agency. In addition, the Agency has established and maintains good networks and relationships with colleagues in other jurisdictions ensuring sharing of best practice and lessons learned.

Key risks and issues

The Agency relies on a well-embedded risk management process designed to identify and prioritise the risks to the achievement of the Agency's objectives, to evaluate the likelihood of those risks occurring and to limit the impact should they materialise. The Agency sets its risk appetite in determining what level of risk it is willing to accept and hence what level of mitigation is required. Both the risk appetite and the format of the risk register align to the approach adopted by the Department. Throughout 2023-24, the Agency has ensured that key and emerging risks have been clearly identified and escalated, with actions identified and implemented to mitigate those risks.

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

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

The Agency regularly updated forecasting and Key Performance Indicators (KPIs) sensitivity analysis to model the impact of reduced budget and high value/volume bills on unassessed balance and performance targets.

The Agency pro-actively engaged with SMT and FSD to present impact analysis of an inadequate budget, highlighting key risks for the Agency to the profession, Department and the Department of Finance. This resulted in the Secretary of State approving additional budget for Legal Aid to the value of £10.9m in November 2023. On the return of the Institutions in February 2024 the Executive then allocated an additional £3.0m for Legal Aid. In March 2024, further funding to the value of £2.4m was also made available by the Department which brought the total approved funding for Legal Aid to £111.8m. After careful management of other aspects of the Agency's budget the total Legal Aid spend (excluding Legacy Inquests) amounted to £113.0m.

The Agency continues to engage with the Department and the Department of Finance regarding future funding arrangements.

2. Fraud and error - *there is a risk of an inability to control the root causes of and measure estimated fraud or error in legal aid payments leading to risk of regulatory breach and account misstatement.*

A revised Counter Fraud and Error Strategy and associated Action Plan was developed, which was endorsed by the Counter Fraud and Error Oversight Group. Progress against the Plan is reported to the Audit and Risk Committee and significant progress has been made to date with a number of the objectives fully completed.

The Compliance Audit and Risk Branch was established to co-ordinate and analyse all strands of error across the Agency including official, practitioner and applicant. Following error analysis, guidance was issued internally and externally to the legal profession and staff training provided to support in the reduction of fraud and error.

Work on data analytics commenced in order to detect fraud and error in the legal aid system.

Key risks and issues (continued)

Future Overpayment Prevention testing continued by SAU which tests ongoing entitlement to legal aid through review of live legal aid certificates. SAU contacted Assisted Persons to verify their financial eligibility at date of legal aid application and throughout life of certificate.

The Agency launched the practitioner error and fraud initiative in January 2023. An independent measurement methodology was developed in conjunction with SAU who commenced independent testing this year. A baseline of practitioner error and fraud in the legal aid system was established for the 2023 year. Further information is provided at page 53.

LAMS changes and reporting to assist in identifying/flagging potential fraud have been designed and deployed.

3. Stakeholder Relationships - *there is a risk of inadequate budget resulting in deteriorating relationships with stakeholders which may affect delivery of reform and governance initiatives.*

The Agency's Monthly Operational Forum continued to operate effectively within Terms of Reference with the Bar Council and Law Society including financial position and payment KPIs.

Throughout the year, the Permanent Secretary and DoJ Officials met with Law Society and Bar representatives to brief them on budget and reform.

The Agency pro-actively engaged with SMT and FSD to present impact analysis of an inadequate budget, highlighting key risks for the Agency to the profession, Department and the Department of Finance. In response a total of £16.3m additional funds were made available to maximise legal aid payments in the year - £10.9m allocated by the Secretary of State; £3.0m allocated by the Executive; and £2.4m made available from the Department. After careful management of other aspects of the Agency's budget the total Legal Aid spend (excluding Legacy Inquests) amounted to £112.95m.

PERFORMANCE SUMMARY AND FORWARD LOOK

Performance summary

The Agency has:

- met or exceeded our service delivery KPIs and processed a significant increase in claims having secured an additional £16.3m above the opening budget allocation which enabled us to pay out the highest sum in the history of our legal aid scheme;
- reduced the official error rate to 4.0% from 4.8% in 2023, a decrease of 0.8 percentage points;
- extended the effective partnership working with the Department for Communities Standards Assurance Unit who estimate the official and applicant fraud and error rate within the legal aid system, to establish a baseline figure for practitioner fraud and error in 2023 of 6.5%;
- continued with Future Overpayment Prevention initiative in respect of applicant error which identified £101k future savings through the review of live legal aid certificates;
- continued to implement our Counter Fraud and Error Plan, including the commencement of work in data analytics;
- following the removal of the account qualification on provisions, we continued to monitor old inactive cases and refined system functionality that was introduced in 2022-23 to implement a continual system generated review of inactive cases to improve the accuracy of our reported legal aid liabilities;
- delivered enhancements to our digital platform improving controls within the system in line with an agreed programme of change;
- released the Agency's first set of Official Statistics. LSA Statistical Bulletin 1/2024 'Legal Aid in Northern Ireland: Annual Statistics to March 2023' was released at the end of March;
- refined management information to be published on a monthly basis;
- continued to implement the Supporting Our People Plan to address feedback from staff from the NICS People Survey; and
- supported the development and delivery of departmental reform projects, including production of data.

Forward look

During 2024-25 the Agency will continue to build upon its modernisation programme to improve the responsiveness of services and embed a change culture into the way legal aid is delivered and its underpinning governance.

We will continue to focus on learning and development of our staff through assessing training needs with a focus on digital skills.

We will continue to deliver on our five strategic corporate objectives for the Agency through the delivery of actions and targets in our [Business Plan](#) 2024-25.

PERFORMANCE ANALYSIS

The Agency has continued to strive to deliver the commitments included in its 2023-24 Business Plan and the five Strategic Objectives established to drive the Agency forward. The following sections summarise the Key Indicators, Performance Measurements and Progress of the Agency in delivering these targets in 2023-24.

<i>Strategic Objective 1: We will deliver modern, high-quality digitally enabled legal aid services that can respond to customer and practitioner needs and support a faster more effective justice system to serve the needs of those who engage with it.</i>		
Outcome	Measures	Progress at 31 March 2024
Applications		
Determine properly presented applications for civil legal services and criminal exceptionality within KPIs	Non-Emergency <ul style="list-style-type: none"> For Representation Higher Courts - 90% in 12 weeks For Representation Lower Courts - 90% in 12 weeks For Exceptional Funding - 90% in 2 weeks 	Achieved. 2 targets exceeded Higher Courts - 91.5% Lower Courts – 100% Exceptional Funding – 90.0%
	Emergency <ul style="list-style-type: none"> Passported - 90% in 48 hrs Non-Passported - 90% in 48hrs 	Achieved. Targets exceeded. Passported - 99.4% Non-passported – 98.1%
Appeal process		
Support the independent appeals process	<ul style="list-style-type: none"> Non-panel Representation Higher appeals - 90% in 8 weeks Civil Legal Services Appeal Panel (CLSAP) panel sitting cases only - 90% in 8 weeks 	Achieved. Targets exceeded. Non-CLSAP – 100% CLSAP – 99.6%

Strategic Objective 1: We will deliver modern, high-quality digitally enabled legal aid services that can respond to customer and practitioner needs and support a faster more effective justice system to serve the needs of those who engage with it.		
Outcome	Measures	Progress at 31 March 2024
Payments		
Consistently pay properly presented bills to ensure full annual legal aid budget is utilised throughout the year	<p>LSA to pay the target spend each month (based on current budget).</p> <ul style="list-style-type: none"> Note: This exact amount will fluctuate depending on the number of working days in a given month as well as in-year variations to the annual budget. Target spend for the remainder of the year will be rebased at the end of each month. 	<p>Achieved. Target Exceeded.</p> <p>Target spend - £109.4m</p> <p>Authorised - £113.5m</p>
Process authority requests within KPIs	<p><u>Authority Requests</u></p> <ul style="list-style-type: none"> First Authorities - 85% in 4 weeks Subsequent Authorities - 85% in 12 weeks 	<p>Achieved. Targets exceeded.</p> <p>First Authorities - 93.2%</p> <p>Non-First Authorities - 99.9%</p>
Process amendment requests within KPIs	<p><u>Amendment Requests</u></p> <ul style="list-style-type: none"> All Amendments - 85% in 12 weeks 	<p>Achieved. Target exceeded.</p> <p>97.2%</p>
Process reviews of decisions within KPIs	<p><u>Reviews</u></p> <p>All Reviews - 85% in 8 weeks</p>	<p>Achieved. Target exceeded.</p> <p>89.0%</p>

Strategic Objective 2: We will work to streamline and enhance our digital services and contribute to policy development and implementation of Legal Aid reform.		
Outcome	Measures	Progress at 31 March 2024
Continue Working Groups with internal staff and key stakeholders, including the professional bodies, EAJD and NICTS to identify LAMS changes.	Working Groups to meet 3 times per year to agree and review change.	<p>The Change Forum met on 13 June 2023 to discuss proposed practitioners' changes to be incorporated into the Agency's 2023-24 Change Programme. Following initial assessment by Civica, the Change Forum met on 12 January 2024 to sign off those proposed practitioners' changes. Practitioners will be asked to take part in user acceptance testing when these changes have been developed. Clarity was also provided for other changes that will likely be progressed in 2024-25.</p> <p>A meeting with EAJD and LSA Heads of Branch has been established to discuss the EAJD reform programme, including any LAMS changes required. Meetings were held on 25 October 2023 and on 26 January 2024 and the next meeting will be scheduled for Q2 of 2024-25.</p>
Deliver changes to LAMS in line with agreed programme of work	Deliver priority changes and Programme of Change for 2023-24 agreed in line with budget allocation.	The capital budget was approved and priority changes for 2023-24 agreed by the Change Authority Board. Changes were impact assessed and approved in line with 2023-24 budget allocation. A number of changes have been delivered throughout the year with the remainder to be tested and deployed in the upcoming months.
Support the development and delivery of departmental reform projects	Participation on policy working groups and delivery of key outputs for projects	The Agency continues to participate on all policy working groups with Enabling Access to Justice Division. EAJD meet with LSA regularly. LSA statisticians are also working with PPS counterparts in relation to supporting discrete pillars of EAJD's review of legal aid programme.

<i>Strategic Objective 3: We will create a culture where well-being and learning are at the forefront of what we do. We will support and develop our people to lead, manage and embrace a new culture of working whilst continuing to improve capacity and capability</i>		
Outcome	Measures	Progress at 31 March 2024
Investing in, and encouraging, leadership at all levels.	<p>Resource requirements/skills gaps identified and communicated to NICS HR.</p> <p>Line Management and Performance Management training delivered to all Agency Staff.</p>	<p>A meeting is held with HR Business Partner monthly. Resource requirements and skills gaps were identified and escalated to NICS HR for action.</p> <p>All staff have completed or are booked onto line management, sickness absence and performance management training by year end, including enrolment or completion of the leadership academy. These mandatory training requirements were included in all staff Personal Development Plans at mid-year.</p>
Training identified and delivered to enhance capability, business resilience and productivity.	Training delivered and needs assessed for all business functions.	<p>Training Needs Analysis completed by business function as part of performance appraisals and each staff member has a Personal Development Plan agreed. Essential training was delivered over the year.</p> <p>A Task and Finish working group was held with representation across the Agency resulting in a number of learning and development actions to be delivered. An Induction Programme was developed and launched in June 2023. Digital Skills Survey has issued and results of the survey will be analysed and identified training needs will be incorporated into the 2024-25 training programme.</p>
Address feedback from NICS People Survey through development and implementation of an action plan	Implement actions from the Agency's Supporting Our People Plan	LSA "Supporting Our People Plan" and Action Plan in place. Implementation is underway and progress against actions monitored regularly. Further actions will be added following feedback from the established Staff Engagement Forum and recent results from the NICS People Survey. Workshops were held with staff across all grades and business functions to discuss the results of the 2022-23 survey.

Strategic Objective 4: We will strengthen governance, accountability and decision-making consistency and transparency of our decisions and delivery in line with our Governance Framework		
Outcome	Measures	Progress at 31 March 2024
Timely preparation and publication of our Annual Report and Accounts	Annual Report and Accounts prepared and signed off with reporting deadline met	Annual Report and Accounts 2022-23 are complete and have been laid before the House of Commons and the Assembly.
Continue to address our Accounts Qualifications and Public Accounts Committee Recommendations by reducing the official error rate by 1% (monetary value and percentage) against 2022 rate.	1% reduction in official error rate.	<p>The 2023 Official Error rate was estimated at 4.0%. This is the lowest rate since testing began and represents a 0.8 percentage point reduction since 2022.</p> <p><i>Removing a small number of notional underpayments (Additional Fees) that were identified by SAU at the time of testing, but that did not result in any actual error to the legal aid fund at year-end, generates a rebased 2023 Official Error rate of 3.4% which the Agency considers to be more accurate. This rebased outturn represents a 1.4 percentage point reduction since 2022.</i></p>
Embedding SAU Practitioner Fraud and Error reviews and measurement.	To establish a baseline for Practitioner Fraud and Error.	<p>Following the introduction of Practitioner file reviews in 2023, as part of a common sample with Official Error testing, a Practitioner Fraud and Error baseline of 6.5% was established.</p> <p><i>Removing a small number of notional underpayments (Additional Fees) that were identified by SAU at the time of testing, but that did not result in any actual error to the legal aid fund at year-end, generates a rebased 2023 Practitioner Fraud and Error baseline of 5.0% which the Agency considers to be more accurate.</i></p>
Continuing with applicant fraud and error prevention strategies.	Continue with Future Overpayment Prevention (FOP) initiative.	It is estimated that during 2023, the Agency prevented £101,477 of future overpayments through FOP testing and identified associated applicant error of £56,215.

Strategic Objective 4: We will strengthen governance, accountability and decision-making consistency and transparency of our decisions and delivery in line with our Governance Framework		
Outcome	Measures	Progress at 31 March 2024
Improving the estimated value of our legal aid provisions.	Continue to review inactive cases on LAMS through engagement with the legal profession.	<p>Work continued reviewing and engaging with Practitioners on inactive cases. LAMS Inactivity Prompt functionality was switched on 1 December 2022 and continues to run monthly.</p> <p>Changes to LAMS functionality to support daily runs and refine inactivity by case type/court tier was delivered in September 2023. Refined inactivity periods will be set by case type in Q2 of 2024-25.</p> <p>Engagement with LSNI and Bar continued to consider processes and procedures to manage businesses subject to intervention or that have expired.</p>
Implement our Counter Fraud Strategy.	Agree and implement 2023-24 Counter Fraud Action Plan.	<p>Counter Fraud and Error Action Plan was endorsed by the Counter Fraud and Error Oversight Group and implementation of actions are progressing.</p> <p>Regular updates are provided to the Audit and Risk Committee.</p>

Strategic Objective 5: Develop new and more effective ways to engage with stakeholders, justice partners and customers in order to deliver a more effective service		
Outcome	Measures	Progress at 31 March 2024
Maintain effective group forums between the Agency and professional bodies	Participation in communication forums and policy working groups and delivery of key outputs	<p>Ongoing engagement across DoJ leading to the provision of data outputs in-house, with Departmental policy colleagues and with the professional bodies to increase the evidence base whilst ensuring transparency.</p> <p>Operational Forum with the Law Society and Bar meets monthly to discuss performance. Change Forum established for enhancements to LAMS. Additional forum also established with the Family Bar.</p>
Develop Official Statistics strategy leading to annual publications	Maintain Official Statistics database covering to incorporate 2022-23 data and release inaugural.	LSA Statistical Bulletin 1/2024 'Legal Aid in Northern Ireland: Annual Statistics to March 2023' was released on 28 March 2024 at 9:30am and can be accessed via the Agency's website.
Refine the management information suite the Agency publishes on its operational performance.	Refine management information to be published on a monthly basis.	<p>The monthly Operational Dashboard was reviewed and overhauled to present data in a more user-friendly way, while incorporating more refined MI through incorporating aspects of ongoing Sensitivity Analysis. This is now consistent with the metrics that have been developed under Official Statistics.</p> <p>KPI metrics and reporting framework compiled and introduced for monitoring performance during 2023-24.</p>

Legal aid expenditure and applications granted

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

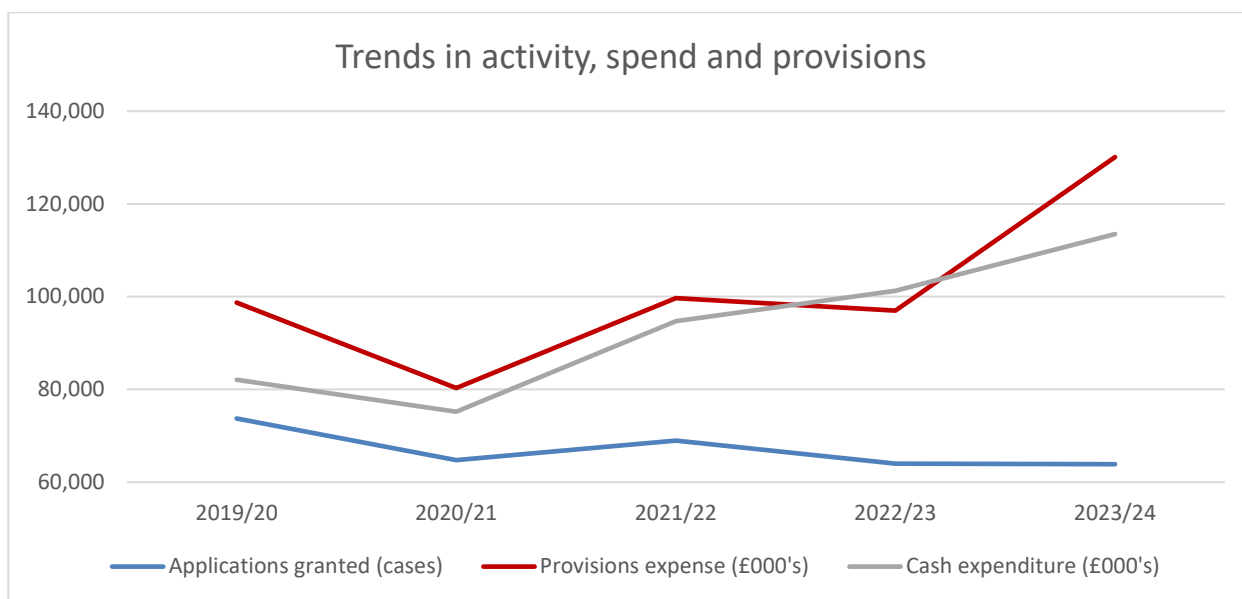
- Provided in the year - the estimated costs in respect of cases for which certificates have been granted in the year; and
- Re-measurement of opening balance - revaluations in respect of cases provided in the previous year but against which average case costs estimates have varied in the current year.

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

The provisions balance may vary materially from year to year and with it the corresponding movement in the provisions expense. The provisions expense has increased from £97m in 2022-23 to £130 m in 2023-24. Total legal aid expenditure in 2023-24 was £114m compared to £101m in 2022-23. In response to increasing bills, the need to keep payment timescales to a minimum and the need to limit the growing unassessed bills balance, in November 2023 the Secretary of State provided an additional one off allocation of £10.9m for Legal Aid. On the return of the Institutions in February 2024 the Executive then allocated an additional £3.0m for Legal Aid. In March 2024, further funding to the value of £2.4m was also made available by the Department which brought the total approved funding for Legal Aid (excluding Legacy Inquests) to £111.8m. After careful management of other aspects of the Agency's budget the total Legal Aid spend (excluding Legacy Inquests) amounted to £113.0m.

	2019-20	2020-21	2021-22	2022-23	2023-24
Acts of assistance	83,663	N/A	N/A	N/A	N/A
Applications granted (cases)¹	73,738	64,775	68,962	63,976	63,881
Provisions expense (£m)	98.7	80.3	99.7	97.0	130.1
Cash expenditure (£m) – termed 'provisions utilised in the year'	82.1	75.2	94.7	101.3	113.5

Legal aid expenditure and applications granted (continued)



The Agency granted a total of 63,881 applications in 2023-24. This represents a minor decrease of only 0.1% compared to the 63,976 applications granted in 2022-23.

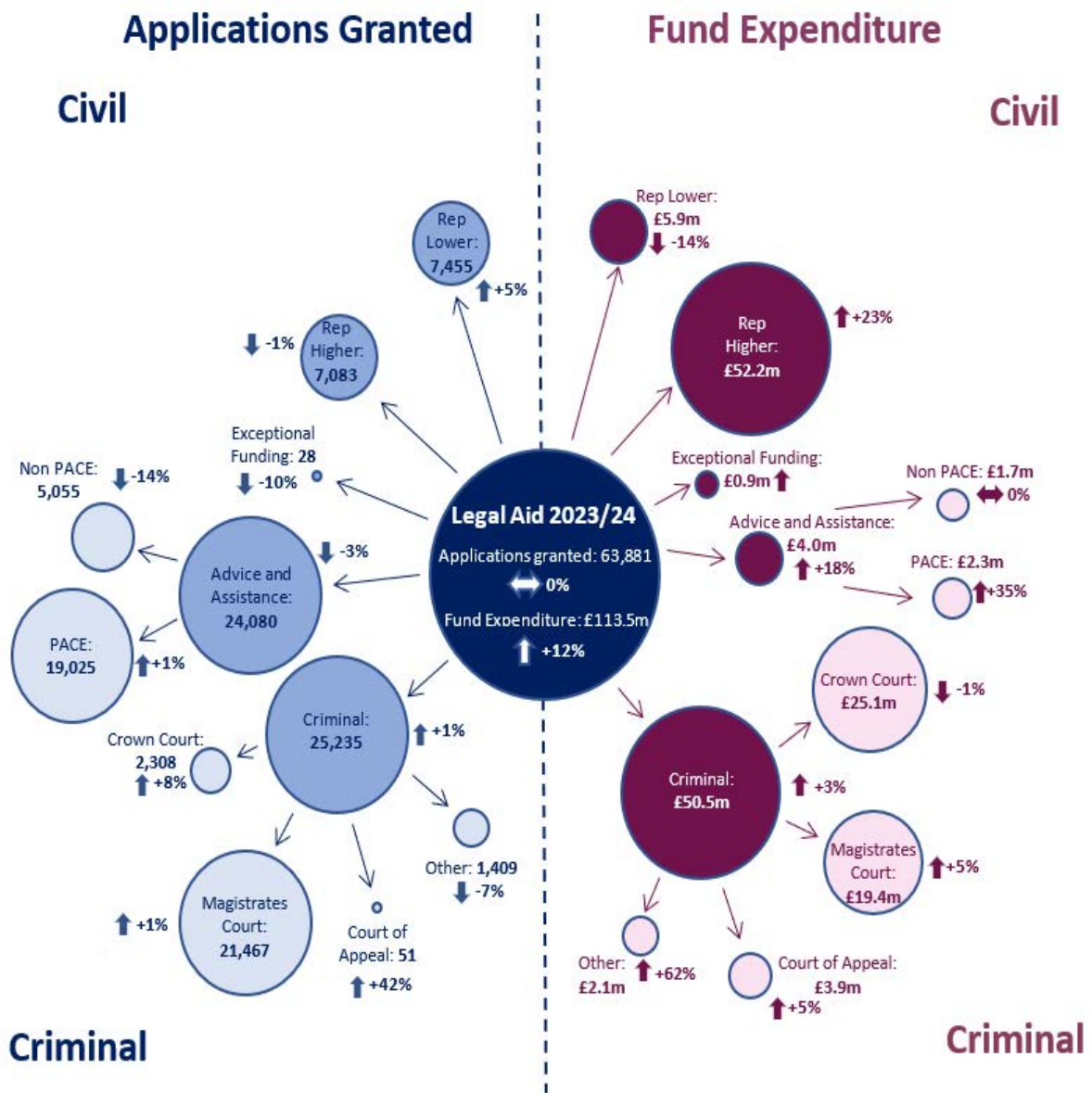
Applications for legal aid are received across five levels of services: Advice and Assistance, Criminal, Exceptional Funding (in respect of Legacy Inquests) Representation Lower and Representation Higher (the court tier determining the distinction).

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

The Official Statistics publication for 2023-24 set out in detail the business transacted by the Agency. This is available at [Annual Statistics - Legal Aid](#).

Legal aid expenditure and applications granted (continued)

Applications granted and fund expenditure, by category of service, 2023-24



Footnotes:

1. Arrow and percentage denote difference to 2022/23, with direction and +/- symbol illustrating an increase or decrease.
2. Expenditure figures represent fund expenditure only and have been rounded for presentational purposes. Subsequently, totals may differ to a sum of sub-categories.
3. A percentage change is not presented on fund expenditure for Exceptional Funding due to 2022/23 resulting in an overall negative accounting total (-£228k).

Financial review

The Agency's financial statements for 2023-24 are compared to the two previous financial years in the table below:

Statement of Comprehensive Net Expenditure

	2023-24	2022-23	2021-22
	£000	£000	*Restated £000
Total operating income	(2,100)	(763)	(1,071)
Staff costs	6,449	6,591	6,544
Purchase of goods and services	1,574	1,673	3,319
Depreciation and amortisation charges	1,298	1,530	1,317
Provision expense	130,127	97,149	99,609
Grants	10	10	-
Total operating expenditure	139,458	106,953	110,789
Finance expense	38	22	-
Notional costs	635	628	671
Net expenditure for the year including notional costs	138,031	106,840	110,389

* 2021-22 figures have been restated to reclassify notional costs in line with guidance from Department of Finance

Financial position

The total net liabilities of the Agency at 31 March 2024 were £164.0m (2022-23: £146.6m).

Cash flow

As detailed in the Statement of Cash Flows, the Agency's Net Assembly draw down in 2023-24 was £119.8m (2022-23: £110.5m) and the net decrease in cash and cash equivalents in the year was £0.421m (2022-23: an increase of £0.194m).

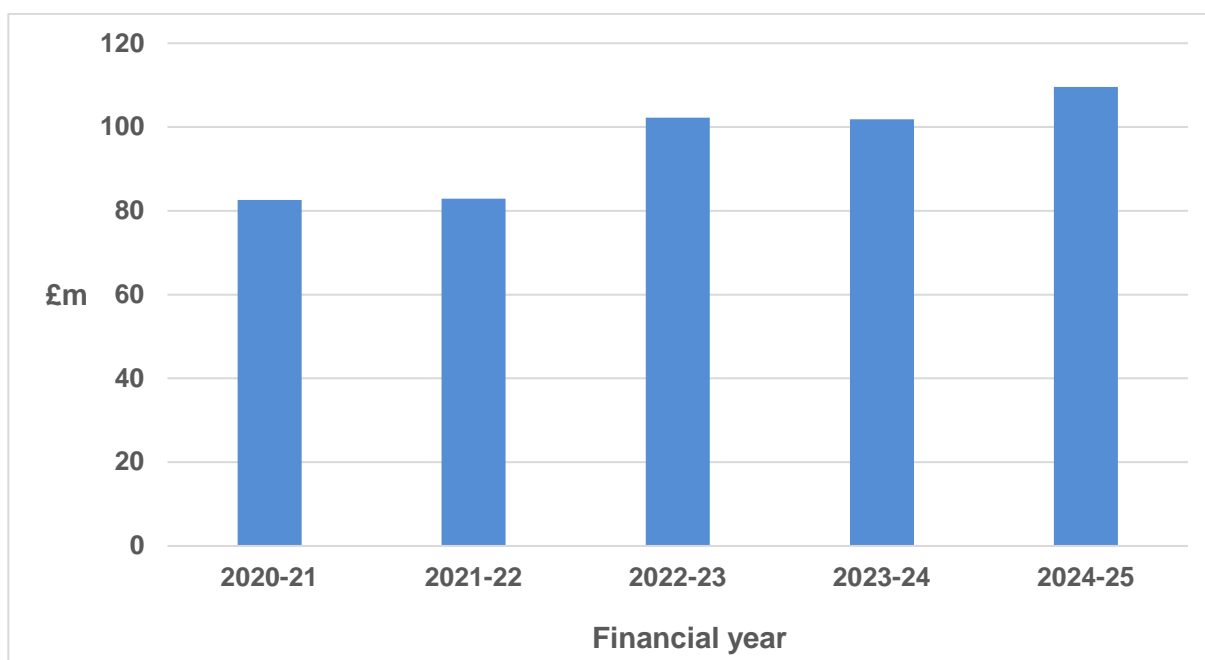
Financial risk

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

Long-term expenditure trends

The chart below shows the movement in the Agency's opening baseline for non-ringfenced Resource Departmental Expenditure Limit (DEL) over the period 2020-21 to 2024-25. This budget pays for programme delivery and running costs excluding non-cash charges for depreciation and impairment of assets.

Chart 1: LSA Non-Ringfenced Resource DEL opening baselines 2020-21 to 2024-25



2023-24 financial year

In the absence of an Executive, on 27 April 2023 in a Written Ministerial Statement, the Secretary of State for Northern Ireland set out a final budget for 2023-24. The Written Ministerial Statement provided a non-ringfenced Resource DEL budget for the Department of £1,156.7m*.

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

- an adjusted opening baseline budget of £1,140.1m;
- funding from the NI Consolidated Fund of £1.5m (from 2022-23);
- budget cut for 2023-24 of £19.4m (c. 1.7%);
- additional security funding for the PSNI of £31.2m; and
- NI Protocol funding of £3.2m.

**Totals may not add due to roundings*

The opening budget for 2023-24 provided an allocation of £101.9m for Legal Services Agency, which reflected a 0.4% decrease against the 2022-23 opening baseline position.

Long-term expenditure trends (continued)

2024-25 financial year

On 25 April 2024, in a Written Ministerial Statement, the Finance Minister set out the 2024-25 budget for Northern Ireland departments which has been agreed by the Executive. The Written Ministerial Statement provided a non-ringfenced Resource DEL budget for the Department of £1,262.5m*.

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

- an adjusted opening baseline budget of £1,123.4m;
- an additional allocation of £95m;
- additional security funding for the PSNI of £31.2m; and
- funding for the Tackling Paramilitarism Programme of £12.8m (this is funding to be distributed across various departments and is not solely for the use of DoJ).

*Totals may not add due to roundings

The Opening Budget for 2024-25 provides an allocation of £109.6m for Legal Services Agency, which reflects a 8.1% increase against the 2023-24 adjusted budget position of £101.4m.

Auditors

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland ("C&AG"), who heads the Northern Ireland Audit Office (NIAO) and is appointed by statute and reports to the Assembly. The C&AG and her staff are wholly independent of the Agency. The notional fee for the audit of the 2023-24 financial statements is £86,000 (2022-23: £84,000). In addition, £nil (2022-23: £1,319) was hard charged by NIAO to the Agency for audit work undertaken in respect of the National Fraud Initiative.

The C&AG may also undertake other statutory activities that are not related to the audit of the Agency's financial statements, such as Value for Money (VFM) reports. No VFM reports on the Agency were undertaken during 2023-24.

Payment to suppliers

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

During the financial year, the Agency achieved an average of 85.0% (2022-23: 89.4%) of invoices paid to suppliers within 10 working days following receipt of a properly rendered invoice. The Agency achieved an average of 93.2% (2022-23: 95.7%) of invoices paid to suppliers within 30 calendar days following receipt of a properly rendered invoice.

Environmental and sustainability initiatives

The Climate Change Act NI 2022 sets a clear statutory target of net zero emissions by 2050 and places several duties on each NI department, with the Department of Agriculture, Environment and Rural Affairs (DAERA) named as the lead department in the Act.

The Agency remains committed to securing products and services that are environmentally friendly and to the procurement of goods or services which comply with Article 6 of the Energy Efficiency Directive.

The Agency promotes the use of electronic correspondence where practicable, and the implementation of a digital Legal Aid case management system has resulted in considerable cost and carbon reductions through paper free Legal Aid applications. The Agency continue to review and enhance functionality in LAMS and it is anticipated that changes will be made in 2024/25 which will allow the transfer of electronic files (rather than the current paper files) from Practitioners to the Agency to support the work of the Practitioner File Review.

The Agency continues to promote recycling within the building and has separate waste recycling containers for the collection of paper; cardboard; plastic and metals. Compostable items such as napkins, food containers and cutlery are also used. The waste recycling agenda was communicated to staff via internal visual display units and new signage was produced and placed near the waste bins clarifying which bin to use. Agency staff also took part in the DoJ 'Plastic Free Friday' initiative during the month of August and working in conjunction with the landlord, removed single use cups from the café replacing them with reusable cups with lids. In addition, the Agency promoted the use of the cold water dispensers within the communal areas of the building to help mitigate the need for single use plastics being used for water consumption.

The Agency's premises also have motion sensor lighting, sensor taps, urinal flushing linked to sensor lighting in washrooms and a new state of the art air conditioning unit, which should reduce energy cost. Signs have been placed in those rooms without motion sensor lighting to remind staff to switch off lights after they leave.

Environmental and sustainability initiatives (continued)

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

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

The Agency is represented on the DoJ Sustainability Group and contributes to the DoJ Sustainability Strategy and Action Plan.

Health and safety

The Agency is committed to providing staff with an environment that is, as far as possible, safe and free from risk to health. In line with this commitment, the Agency complied with the relevant legislation during the period, undertaking regular risk assessments. The Trade Union Side (TUS) Health and Safety representative continues to be involved in any health and safety related issues.

A review of the general office risk assessment has been carried out and office and home based DSE risk assessments have been completed by staff.

The Agency's health and safety function is managed by the Business Support Unit and the arrangements in place enable the Agency to comply with its legal duties and responsibilities under the Health and Safety at Work Act 1974. Due to the reduced number of staff attending the office, the Agency has reviewed Fire Safety procedures including PEEPS and put in place training and a rota system for additional Fire Wardens and First Aiders.

Social and community issues

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

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

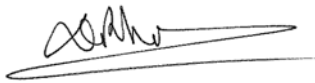
- practitioner familiarisation with and enhancements to LAMS;
- preparation of documentation to assist the understanding of the assisted person as to their obligations when accepting legal aid; and
- improved debt recovery arrangements.

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

Human rights

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

PERFORMANCE REPORT

A handwritten signature in black ink, appearing to read 'Paul Andrews', is written over a horizontal line that extends to the right.

Paul Andrews
Chief Executive and Accounting Officer
1 July 2024

ACCOUNTABILITY REPORT

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

i - Corporate Governance Report

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

The Corporate Governance Report includes:

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

ii - Remuneration and Staff Report

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

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

iii - Assembly Accountability and Audit Report

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

The Board

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

Membership of the Board during 2023-24 was as follows:

Position	Member
Chief Executive	Paul Andrews
Director of Operations	Judith Clarke
Director of Corporate Services	Kerry McGill
Non-Executive Member	Daphne Johnston
Non-Executive Member	Paul Mageean

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

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

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

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

The Board (continued)

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

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

As an Agency of the DoJ, the Agency operates under a Corporate Framework. The Framework Document sets out the arrangements for the effective governance, financing and operation of the Agency.

Board Members' interests

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

Application of Business Appointment Rules (BARs)

The NICS Standards of Conduct Policy, (Section 8 and Annexes 4) sets out the rules on the acceptance of outside business appointments, employment or self-employment for staff after they leave the NI Civil Service, including procedures to make staff aware of these rules and provides that the Permanent Secretary of the Department is responsible for the effective operation of the Business Appointment Rules within their Department. Further detail is available in the [NICS Standards of Conduct Policy](#). During 2023-24 there was 1 staff exit from the Civil Service within LSA, with no applications from Senior Civil Servants.

Information assurance

There were no incidents of loss of information assets or personal data during 2023-24 which required to be reported to the Information Commissioner's Office.

Raising a Concern

As an Agency within the Department of Justice the Agency will follow the policies and procedures set down by the Department of Justice, including the DoJ Raising a Concern Whistleblowing Policy. There will be a Designated Officer in DoJ, reporting to the Departmental Audit and Risk Committee responsible for the handling of concerns.

This policy:

- reassures DoJ staff that they can raise genuine concerns about potential wrongdoing, in confidence, through a clear internal reporting process, without putting their position at risk; and
- provides arrangements through which anyone who is not a member of staff (for example members of the public) can raise concerns about the proper conduct of public business by the Department or any of its Agencies.

Complaints

The Complaints Policy and Procedures regarding the administration of civil and criminal legal aid are designed by the Agency to address complaints regarding the quality of service provided by its officials. Its aim is to enhance and improve the level of service provided to customers. There were 11 complaints recorded by the Agency during 2023-24 (2022-23: 2). Two complaints were withdrawn, one was partially upheld and was used as a training tool for staff, one is ongoing and the remaining seven were not upheld.

Complaints can be made to:

Legal Services Agency Northern Ireland
3rd Floor AIB Building
92 Ann Street
Belfast
BT1 3HH
Telephone: 028 9040 8888
E-mail: LSANicomplaints@lsani.gov.uk

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

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

Fraud, anti-corruption and anti-bribery

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

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

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

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

During the period 1 April 2023 to 31 March 2024, LSA received 240 referrals (2022-23: 261) which were the subject of an initial fraud investigation.

All 240 cases were subject to a full fraud investigation (2022-23: 149) with 175 of these cases closed due to insufficient evidence to pursue a criminal investigation via the Police or the subject of the referral not being in receipt of Legal Aid at the time of investigation. The investigation into the remaining 65 cases is currently ongoing. 7 cases received prior to this reporting year remain under investigation which gives a current caseload of 72.

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

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

<u>Number of cases received</u>	Earnings	Capital	Co-habiting	Property	False Statement	Supplier	Other	Total
<u>2023-24</u>	91	46	19	1	7	56	20	240
2022-23	114	55	35	4	10	28	15	261
2021-22	175	53	28	12	18	33	19	338
2020-21	105	35	25	7	28	26	5	231
2019-20	223	48	23	4	35	27	4	364

Of the 72 cases outstanding at 31 March 2024, these are being investigated for evidence of criminality and are categorised as:

<u>Number of cases outstanding</u>	Earnings	Capital	Co-habiting	Property	False Statement	Supplier	Other	Total
At 31 March 2024	31	10	3	0	4	20	4	72
At 31 March 2023	12	7	5	1	3	9	-	37
At 31 March 2022	28	10	1	1	5	11	9	65
At 31 March 2021	23	15	1	1	11	8	5	64
At 31 March 2020	3	15	-	1	4	2	1	26

NON-EXECUTIVE MEMBERS' REPORT

Overview

Despite significant financial pressures for over half of the financial year, the Agency has delivered strong performance against the 2023-24 Business Plan with all key milestones and targets met.

During 2023-24, it is significant to note that the volume and value of bills continued to be high and £16.34m of additional funding was secured in year which facilitated £113m of spend on legal aid (excluding Legacy inquests) – the highest level of legal aid expenditure in the history of the legal aid scheme.

Hybrid Working during the year, and the Senior Management Team, have continued to promote and encourage collaborative working and improved communication and engagement within the Agency. This was supplemented by implementing actions set out in the “Supporting Our People Plan” to address feedback from Agency staff. All staff in the Agency undertook leadership, line management and performance management training over the year. The focus for 2024-25 will be on digital skills.

It is positive to note that a number of staff have been successful in recruitment exercises over the year, although there was an NICS pause on filling general service vacancies, the majority of the Agency’s vacancies were filled by year end. Over the course of the year the Agency filled these vacancies through the use of temporary promotions and recruitment agency staff to deliver against demanding deadlines.

We have continued to use our experience to challenge and support the Board. As Non-Executive Members of the Agency Board we have provided strategic advice to the Board and have inputted to the business planning process and key risk analysis review.

Qualifications to the accounts in respect of fraud and error and provisions were a key area of focus for the Board. Significant work has been undertaken in respect of both qualifications. As a result the qualification on provisions was removed in 2022-23. The Agency also continued work to address error and fraud. The Agency’s Official error rate reduced from 4.8% in 2022 to 4.0% in 2023. The Future Overpayments Prevention work dealing with applicant error and fraud produced estimated savings of £101k against the 2022 figure of £76k. In 2023, the baseline for practitioner error and fraud was established, the first estimate stood at 6.5%.

The lack of clarity on the upcoming budget continues to be a challenge. This has an impact on the Agency’s ability to agree detailed strategic plans for the upcoming financial year.

Agency Board

The Agency Board met six times in 2023-24 with full attendance from all members, with exception of one meeting in which one member was unable to attend.

We thank the Management Team for their support throughout the year and look forward to the challenges ahead.

NON-EXECUTIVE MEMBERS' REPORT (CONTINUED)**Audit and Risk Committee**

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

ARC continued to monitor progress against the one remaining qualification to the accounts.

Conclusion

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

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

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

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

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

GOVERNANCE STATEMENT

1. Scope of responsibility

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

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

2. Purpose of the governance framework

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

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

3. Governance framework

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

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

These structures have been in place for the 2023-24 year and up to the date of approval of the annual report and accounts.

3. Governance framework (continued)

The Board

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

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

The emphasis for the Board in this period has been:

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

Attendance by members is shown below for the six meetings of the Agency Board during 2023-24:

Position	Member	Attendance
Chief Executive	Paul Andrews	6/6
Director of Operations	Judith Clarke	5/6
Director of Corporate Services	Kerry McGill	6/6
Non-Executive Member	Daphne Johnston	6/6
Non-Executive Member	Paul Mageean	6/6

3. Governance framework (continued)

The Audit and Risk Committee

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

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

Key work of the Audit and Risk Committee included:

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

Attendance by members is shown below for the four meetings of the Audit and Risk Committee held during 2023-24:

Position	Member	Attendance
Non-Executive Member (Chair)	Daphne Johnston	4/4
Non-Executive Member	Paul Mageean	4/4
Independent Member	Michele Woods- Senior Civil Servant in Department of Finance	1/4

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

4. Risk management and internal control

The Agency has a well embedded and robust risk management framework in place, with direct involvement of senior managers and staff. Oversight of this is the responsibility of the Audit and Risk Committee. The Agency's arrangements for effective risk management include:

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

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

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

5. Review of effectiveness of the governance framework

The Board and Audit and Risk Committee continually review the range, format, frequency and detailed content of the reports and assurances provided to each meeting. This process ensures that requirements are met in terms of providing timely and effective information to the relevant meeting to allow members to fulfil their governance responsibilities. The Audit and Risk Committee provides the Board with an update after each meeting setting out the work of the Committee and appropriate assurances for the relevant financial year.

Internal Audit reporting

Internal Audit services for LSA are provided by DoF's Group Internal Audit and Fraud Investigation Service. Internal Audit staff from DoF are assigned to deliver services to the DoJ Core Department and its agencies. Internal audit services represent an independent and objective appraisal of the Agency's governance, risk management and internal control system. The Internal Audit opinion is based on internal audit activity carried out during 2023-24 and cumulative assurances derived from internal audit activity during the previous two years.

The overall internal audit opinion for 2023-24 concluded that the arrangements within LSA are satisfactory.

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

Area	Opinion 2023-24
Criminal and Civil Legal Aid - Work of SAU in Relation to Official Errors in Payments	Satisfactory
Certificates of Exceptionality (Funding and Preparation)	Satisfactory
Appeals Review and Administration Unit	Satisfactory
Provisions	Satisfactory
Fraud Detection and Prevention	Satisfactory
Future Overpayments Prevention	Satisfactory
Criminal and Civil Legal Aid - Work of SAU in Relation to Practitioner Errors	Satisfactory

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

6. Significant internal control issues

Northern Ireland Audit Office - account qualification

Significant progress has been made by LSANI to improve the techniques and methodology used when estimating its provisions for legal aid liabilities, which allowed the C&AG to remove the qualification in 2022-23 that applied in previous years.

The C&AG qualified the 2023-24 financial statements of LSANI in respect of:

- statistics produced by LSANI estimating that £0.6 million of overpayments and £1.5 million of underpayments of legal aid costs (£2.2 million in total⁴) were made during the year due to official error, along with £2.2 million of overpayments and £1.3 million of underpayments of legal aid costs (£3.5 million in total) were made during the year due to legal practitioner fraud and error; and
- limitations in the scope on the regularity of legal aid payments in the period as a result of the Agency being unable to provide sufficient evidence to satisfy NIAO that material fraud and error by legal aid applicants did not exist within legal aid expenditure.

LSA has continued a significant work programme to address the qualification and has been taking this forward in conjunction with both DoJ and DfC. Details of the work to address the qualification are outlined below.

Regularity of expenditure

Official error

A MoU was established, from April 2017, with the SAU within DfC, to measure official error rates. While 2019 represented the first full year of testing under the agreed methodology there have been a number of refinements made to the sample that prevents direct comparison across all years. During 2020 taxed cases (and expenditure) were removed upon receipt of legal advice, meaning 2019 is not comparable with subsequent years and 2020 became the new benchmark for future years. In 2023, following the introduction of practitioner fraud and error under a new common sample with official error, exceptional preparation payments were not included due to logistical reasons, though a workable solution will be sought in 2024. In addition, some practitioner errors that would have previously been attributed to official error can now rightfully be attributed to the correct source. These developments mean that the latest figures are not directly comparable with 2022. The outcomes from 2023 are set out below.

⁴ Rounding

6. Significant internal control issues (continued)

Official error (continued)

<u>2023</u>	Estimated Monetary Value of Error (MVE)	Lower Confidence Interval (LCI)	Upper Confidence Interval (UCI)
Total error	£2,182,301	£1,385,948	£2,978,654
Overpayments	£647,271	£342,852	£951,689
Underpayments	£1,535,030	£788,216	£2,281,845
Total excluding deemed errors	£2,137,350	£1,341,434	£2,933,267

<u>2022</u>	Estimated Monetary Value of Error (MVE)	Lower Confidence Interval (LCI)	Upper Confidence Interval (UCI)
Total error	£2,516,537	£1,422,348	£3,610,727
Overpayments	£1,297,570	£738,118	£1,857,023
Underpayments	£1,218,967	£252,121	£2,185,813
Total excluding deemed errors	£1,982,650	£964,519	£3,000,782

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

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

6. Significant internal control issues (continued)

Official error (continued)

For 2023, a sample of 544 cases (2022: 756; 2021: 911; 2020: 695) was independently assessed by the SAU and the amount of legal aid estimated to have been paid incorrectly due to official error was projected at £2,182,301 (4.0%) over the review period (2022: £2,516,537 (4.8%); 2021: £1,924,466 (4.3%); 2020: £5,573,318 (14.9%)).

Looking at the confidence intervals, the true amount paid incorrectly is likely to lie within the range £1,385,948 to £2,978,654 (2.6% to 5.5%) (2022: £1,422,348 to £3,610,727 (2.7% to 6.9%) 2021: £1,362,282 to £2,486,649 (3.0% to 5.5%); 2020: £2,067,580 to £9,079,055 (5.5% to 24.3%)).

It should be noted that 2023 estimates of official error (£2,182,301; 4.0%) include a small number of notional underpayments (Additional Fees), identified by SAU at the point of testing. However, as these Additional Fees were processed in a timeframe in accordance with business arrangements and subsequently paid correctly and entirely before the end of the 2023 timetable, they resulted in no actual underpayment or error to the legal aid fund. Excluding these notional (Additional Fee) errors generates a rebased 2023 estimate of £1,846,816 (3.4%) with associated confidence intervals of £1,305,285 to £2,388,348 (2.4% to 4.4%).

The overall amount estimated to have been paid incorrectly due to official error in 2023 is the combination of the estimated value of overpayments, £647,241 (1.2%) (2022: £1,297,570 (2.5%) 2021: £1,009,285 (2.2%); 2020: £4,356,128 (11.7%)) and that of underpayments, £1,535,030 (2.8%) (2022: £1,218,967 (2.3%) 2021: £915,181 (2.0%); 2020: £1,217,189 (3.3%)). While the Agency accepts that all error is equally valid these extrapolated figures represent over and underpayments and hence are compensatory. The net overpayment estimated due to official error is therefore £887,759 (2022: £76,603 net overpayment; 2021: £94,104 net overpayment; 2020: £3,138,939 net overpayment).

The results are split into actual and deemed errors. Deemed errors are defined as instances where monitoring officers required further information to complete their review and where that information was not provided by the year end reporting date. Excluding deemed errors, the amount of legal aid estimated to be paid incorrectly due to official error reduces to £2,137,350⁵ (£1,341,434 to £2,933,267; 3.9%) over the review period (2022: £1,982,650 (£964,519 to £3,000,782: 3.8%) 2021: £1,692,157 (£1,144,102 to £2,240,212, 3.7%); 2020: £3,999,730 (£2,458,145 to £5,541,316; 10.7%)).

In those cases, in which the monitoring officers identified an actual underpayment or overpayment, the Agency has a process to adjust the fees and make recoupments to address the incorrect errors. Underpayments due to the practitioner will be notified and an additional payment may be made under the case. Recoupments from the practitioner are likewise tracked against the case and will be offset within LAMS from future payments due to the same supplier under other cases or a debt raised.

⁵ Excluding both deemed errors and notional Additional Fee underpayments, this reduces to £1,774,330, or 3.3%.

6. Significant internal control issues (continued)

Official error (continued)

No recoupment is made of deemed errors as the accuracy or otherwise of the payment cannot be proved due to the lack of information. All underpayments and recoupments are processed in keeping with the Agency's Fees Adjustment & Recoupment policy covering Error Corrections.

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

Applicant fraud and error

Following an initial delay caused by Covid-19 restrictions, a methodology for addressing applicant fraud and error, commenced for its first full year of testing in January 2021. The major difference to official error testing, is contained within the cases that are eligible for sampling. As applicant testing focuses on the financial eligibility of applicants, the majority of legal aid cases (and expenditure) were ruled out-of-scope.

Primarily, this covered civil cases where a financial eligibility test was not undertaken (including cases where the applicant was a minor or on a passport benefit for the duration of their case) and all criminal cases where LSANI is not responsible for determining the financial eligibility of individuals. This should be considered when interpreting the figures quoted below.

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

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

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

6. Significant internal control issues (continued)

Applicant fraud and error (continued)

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

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

For this reason, applicant fraud and error testing in this guise was suspended in 2022 and replaced with a review of live cases under the heading of Future Overpayment Prevention (see below). The 2021 figures outlined above, remain the official baseline for applicant fraud and error within legal aid expenditure.

Future Overpayment Prevention

In May 2022, SAU commenced testing of live cases to review ongoing financial eligibility of individuals who remain in receipt of civil legal aid under the Future Overpayment Prevention (FOP) work-stream, mitigating against the non-compliance issues encountered previously (in formal Applicant Fraud and Error testing), with the potential to revoke certificates and realise future savings. This approach not only allows incidents of fraud and error to be identified and monitored but also allows actions to be put in place to address and reduce future errors.

While it was envisaged that testing would focus solely on future savings, it became apparent that applicant error was being discovered alongside a FOP saving (in the period between when an applicant became no longer eligible for legal aid and cessation of their certificate). As these applicant error estimates are essentially a by-product of FOP sampling, they are not a representative or comprehensive estimate of total applicant error in legal aid expenditure, nor do they replace the applicant fraud and error baseline established in 2021.

A total of 205 cases were tested for potential FOP savings in 2023. From the results, it is estimated that £101,477 was saved in future expenditure due to LSA taking action to revoke certificates where the applicant was found to be no longer financially eligible for legal aid or where they failed to comply with testing. In addition, the estimated amount of applicant error found in these cases was £56,215. These estimates compare with 2022 figures of £76,577 and £102,893 (respectively).

6. Significant internal control issues (continued)

Practitioner fraud and error

In January 2023, the Agency launched formal measurement of Practitioner Error and Fraud under a common sample approach with Official Error testing. Testing is carried out by SAU, reviewing both Agency and Practitioner files on sampled cases. The first baseline of practitioner fraud and error has been established for 2023 at 6.5% (confidence intervals: 4.0% to 8.9%), reducing to 4.9% (2.6% to 7.2%) when non-compliance errors are excluded. The estimated monetary value of errors behind these percentages are set out below.

<u>2023</u>	Estimated Monetary Value of Error (MVE)	Lower Confidence Interval (LCI)	Upper Confidence Interval (UCI)
Total practitioner error	£3,505,869	£2,154,897	£4,856,841
Practitioner overpayments	£2,156,776	£1,334,884	£2,978,667
Practitioner underpayments	£1,349,093	£256,696	£2,441,490
Total excluding non-compliance errors	£2,648,995	£1,401,958	£3,896,032

2023 estimates of Practitioner Error and Fraud also include a small number of notional underpayments (Additional Fees), identified by SAU at the point of testing. However, as with Official Error, these Additional Fees were processed in a timeframe in accordance with business arrangements and resulted in no actual underpayment or error to the legal aid fund. Removing these notional (Additional Fee) underpayments generates a rebased 2023 baseline of £2,707,518 (5.0%), with associated confidence intervals of £1,783,412 to £3,631,623 (3.3% to 6.7%). When both Additional Fee underpayments and non-compliance errors are excluded, the practitioner rate reduces further to 3.4% (£1,850,643).

Reports by the Northern Ireland Audit Office and Public Accounts Committee

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

The Agency continues to update on a six-monthly basis with a progress update against recommendations.

7. Budget position and authority

The Budget Act (Northern Ireland) 2024, which received Royal Assent on 14 March 2024, together with the Northern Ireland Spring Supplementary Estimates 2023-24 which were agreed by the Assembly on 9 April 2024, provide the statutory authority for the Executive's final 2023-24 expenditure plans. The Budget Act (Northern Ireland) 2024 also provides a Vote on Account to authorise expenditure by departments and other bodies into the early months of the 2024-25 financial year.

8. Accounting Officer statement of assurance

In providing my statement of assurance I am informed by a range of sources, including the work of the Standards Assurance Unit, the Northern Ireland Courts and Tribunals Service, the Agency's risk management framework, stewardship arrangements and reports from the internal and external auditors. Assurance is provided by DoF internal auditors in terms of the corporate shared services provided by each respective department to LSA. Further assurances include the Annual Internal Audit Assurance Report and Opinion for 2023-24, which provides a satisfactory assurance rating in relation to internal control, risk management and corporate governance for the period.

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

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

Remuneration policy

The pay remit for the Northern Ireland Civil Service, including senior civil servants (SCS), is normally approved by the Minister of Finance. Following the Secretary of State for Northern Ireland's 27th April 2023 Written Ministerial Statement (WMS) on the budget, the NI public sector pay policy guidance was published on 31st May 2023 in FD (DoF) 05/23. This was subsequently updated on 12th March 2024 in FD (DoF) 04/24 to reflect the return of Executive Ministers and revised departmental budgets.

Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS non-industrial staff, including SCS, for 2023-24 has been finalised and was paid in June 2024. The 2023-24 pay award for NICS industrial staff has also been finalised and was paid in May 2024.

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

Service contracts

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

Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in consideration of the individual receiving compensation as set out in the Civil Service Compensation Scheme⁶.

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

⁶ [Civil Service Commissioners for Northern Ireland \(nicscommissioners.org\)](https://www.nicscommissioners.org)

Remuneration (including salary) and pension entitlements

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

[Audited information]

Single total figure of remuneration				2023-24
Officials and NEMs	Salary	Benefits in kind (to nearest £100)	*Pension Benefits (to nearest £1,000)	Total
	£000	£000	£000	£000
Paul Andrews Chief Executive	85-90	-	33	115-120
Kerry McGill Director of Corporate Services	65-70	-	23	85-90
Judith Clarke Director of Operations	60-65	-	27	90-95
Daphne Johnston Non-Executive Member	5-10	0.84	-	5-10
Paul Mageean Non-Executive Member	5-10	0.07	-	5-10

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

Remuneration and pension entitlements (continued)*[Audited information]*

Single total figure of remuneration				2022-23
Officials and NEMs	Salary	Benefits in kind (to nearest £100) £000	*Pension Benefits (to nearest £1,000) £000	Total £000
Paul Andrews Chief Executive	80-85	-	33	115-120
Kerry McGill Director of Corporate Services	60-65	-	23	80-85
Judith Clarke Director of Operations (from 7 November 2022)	20-25 (FYE 60-65)	-	13	35-40
Mandy McKay Director of Operations (until 14 August 2022)	20-25 (FYE 60-65)	-	11	30-35
Daphne Johnston Non-Executive Member	5-10	0.67	-	5-10
Paul Mageean Non-Executive Member	5-10	0.03	-	5-10

FYE = full-year equivalent

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

Salary

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

The Northern Ireland Assembly was dissolved from 28 March 2022 with an election taking place on 5 May 2022. An Executive was not initially formed following the 5 May 2022 election. Consequently, the former Ministers retained their roles in a caretaker capacity until 28 October 2022. The Executive was subsequently restored on 3 February 2024, on which date new Ministers were appointed. As such, the Department of Justice was under the direction and control of Minister for Justice, Naomi Long from this date. Her salary and allowances were paid by the Department and have not been included in these accounts.

Benefits in kind

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

Fair pay disclosures**Pay ratios**

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

[Audited information]

The banded remuneration of the highest-paid director in the Agency in the financial year 2023-24 was £80,000 to £85,000 (2022-23: £80,000 to £85,000). The 2023-24 range differs from the banded salary disclosed under 'Remuneration and pension entitlements' due to salary arrears paid during the year. The relationship between the mid-point of this band and the remuneration of the organisation's workforce is disclosed below.

<u>2023-24</u>	25th percentile	Median	75th percentile
Total remuneration (£)	24,507	27,127	34,011
Pay ratio	3.4:1	3.0:1	2.4:1

<u>2022-23</u>	25th percentile	Median	75th percentile
Total remuneration (£)	23,955	26,575	33,459
Pay ratio	3.4:1	3.1:1	2.5:1

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

For 2022-23 and 2023-24, the 25th percentile, median and 75th percentile remuneration values consisted solely of salary payments.

In 2023-24, no employees received remuneration in excess of the highest paid director (2022-23, None)

Remuneration in 2023-24 ranged from £23,000 to £80-85,000 (2022-2023: £23,000 to £80-85,000).

Fair pay disclosures (continued)***Percentage change in remuneration***

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

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

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

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

Percentage change for:	2023-24 v 2022-23	2022-23 v 2021-22
Average employee salary and allowances	1.83%	1.24%
Highest paid director's salary and allowances*	0%	0%
Average employee performance pay and bonuses**	N/a%	N/a%
Highest paid director's performance pay and bonuses**	N/a%	N/a%

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

** No performance pay or bonuses were payable in both years.

Pension entitlements

[Audited information]

Officials	Accrued pension at pension age as at 31/3/24 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at *31/3/24	CETV at **31/3/23	Real increase in CETV	Employer contribution to partnership pension account (Nearest £100)
	£000	£000	£000	£000	£000	
Paul Andrews*** Chief Executive	45-50 plus 70-75 related lump sum	0-2.5 plus nil related lump sum	814	751	26	-
Kerry McGill Director of Corporate Services	10-15	0-.2.5	169	137	11	-
Judith Clarke Director of Operations	15-20 plus 45-50 related lump sum	0-2.5 plus 0-2.5 related lump sum	355	306	18	-

* Or earlier on leaving

** Or later on joining

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

Note: Any members affected by the [Public Service Pensions Remedy](#) have been reported in the 2015 scheme for the period between 1 April 2015 and 31 March 2022 in 2022-23, but are reported in the legacy scheme for the same period in 2023-24.

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

Northern Ireland Civil Service (NICS) pension schemes

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

The alpha pension scheme was initially introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of members of the Classic, Premium, Classic Plus and Nuvos pension arrangements (collectively known as the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]) also moved to alpha from that date. Transitional protection measures introduced alongside these reforms meant any members who on 1 April 2012 were within 10 years of their normal pension age remained in their previous scheme arrangement (full protection) and those who were between 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age (tapered protection).

McCloud Judgment

In 2018, the Court of Appeal found that the transitional protections put in place back in 2015 that allowed older workers to remain in their original scheme, were discriminatory on the basis of age. As a result, steps have been taken by the Department of Finance to remedy this discrimination.

DoF has now made regulations which remedy the discrimination by:

- ensuring all active members are treated equally for future service as members of the reformed alpha scheme only from 1 April 2022, and
- providing each eligible member with options to have their pension entitlements for the period when the discrimination existed between 1 April 2015 and 31 March 2022 (the remedy period) retrospectively calculated under either the current (reformed) scheme rules, or the old (pre-reform) legacy rules which existed before 2015.

This means that all active NICS Pension Scheme members are in the same pension scheme, alpha, from 1 April 2022 onwards, regardless of age. This removes the discrimination going forwards in providing equal pension provision for all scheme members.

DoF is now implementing the second part of the remedy, which addresses the discrimination which was incurred by affected members between 1 April 2015 and 31 March 2022.

Eligible members with relevant service between 1 April 2015 and 31 March 2022 (the Remedy Period) will now be entitled to a choice of alternative pension benefits in relation to that period. i.e. calculated under the pre-reformed PCSPS(NI) 'Classic', 'Premium' or 'Nuvos' rules or alternatively calculated under the reformed alpha rules. As part of this 'retrospective' remedy most active members will now receive a choice about their remedy period benefits at the point of retirement. This is known as the Deferred Choice Underpin (DCU). For those members who already have pension benefits in payment in relation to the Remedy Period, they will receive an Immediate Choice which will be issued by 31 March 2025.

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

At this stage, allowance has not yet been made within CETVs for this remedy. Further information on the remedy will be included in the NICS pension scheme accounts which, once published, are available at <https://www.finance-ni.gov.uk/publications/dof-resource-accounts>.

As part of the remedy involves rolling back all remediable service into the relevant legacy PCSPS(NI) arrangement for the 7-Year Remedy Period, the value of pension benefits may change for affected members and some figures previously reported may change. The 2023-24 pension disclosures above are calculated based on HM Treasury guidance using;

- a. Rolled back opening balance
- b. Rolled back closing balance
- c. CETV calculated by CSP on the rolled back basis
- d. No restatement of prior year figures where disclosed

Alpha

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

From 1 April 2015, all new entrants joining the NICS can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (Partnership Pension Account).

Information on the PCSPS(NI) - Closed Scheme

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

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

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

Northern Ireland Civil Service (NICS) pension schemes (continued)**Partnership Pension Account**

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

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

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices Index (CPI) figure for the preceding September. The CPI in September 2023 was 6.7% and HM Treasury has announced that public service pensions will be increased accordingly from April 2024.

Employee contribution rates for all members for the period covering 1 April 2024 to 31 March 2025 are as follows:

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - all members
From	To	
£0	£26,302.49	4.6%
£26,302.50	£59,849.99	5.45%
£59,850.00	£160,964.99	7.35%
£160,965.00 and above		8.05%

Northern Ireland Civil Service (NICS) pension schemes (continued)**Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) Regulations 1996 (as amended) and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may have been due when pension benefits are taken. The Lifetime Allowance will end in April 2024 and will be replaced by the Lump Sum Allowance and The Lump Sum And Death Benefit Allowance.

HM Treasury provides the assumptions for discount rates for calculating CETVs payable from the public service pension schemes. On 27 April 2023, HM Treasury published guidance on the basis for setting the discount rates for calculating cash equivalent transfer values payable by public service pension schemes. In their guidance of 27 April 2023, HM Treasury advised that, with immediate effect, the discount rate adopted for calculating CETVs should be in line with the new SCAPE discount rate of 1.7% above CPI inflation, superseding the previous SCAPE discount rate of 2.4% above CPI inflation. All else being the same, a lower SCAPE discount rate leads to higher CETVs. The HM Treasury Guidance of 27 April 2023 can be found at <https://www.gov.uk/government/publications/basis-for-setting-the-discount-rates-for-calculating-cash-equivalent-transfer-values-payable-by-public-service-pension-schemes/basis-for-setting-the-discount-rates-for-calculating-cash-equivalent-transfer-values-payable-by-public-service-pension-schemes>.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period (which therefore disregards the effect of any changes in factors).

Compensation for loss of office

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

STAFF REPORT**Staff costs**

Staff costs comprise:

[Audited information]

	Permanently Employed Staff	Others	2023-24 £000 Total	2022-23 £000 Total
Wages and salaries	4,571	158	4,729	4,768
Social security costs	478	–	478	483
Other pension costs	1,244	–	1,244	1,340
Total costs	6,293	158	6,451	6,591

Of which:	Note	2023-24 £000 Total	2022-23 £000 Total
Programme staff costs	3	6,449	6,591
Capital projects		2	-
Total costs		6,451	6,591

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

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

The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2020 scheme valuation was completed by GAD in October 2023. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2024 to 31 March 2027.

Staff costs (continued)

The Cost Cap Mechanism (CCM) is a measure of scheme costs and determines whether member costs or scheme benefits require adjustment to maintain costs within a set corridor. Reforms were made to the CCM which was applied to the 2020 scheme valuations and included the introduction of a reformed-scheme-only cost control mechanism which assesses just the costs relating to reformed schemes (alpha for the NICS) and introduced an economic check. Prior to the cost control mechanism reforms, legacy scheme (PCSPS(NI)) costs associated with active members were also captured in the mechanism. The reformed-scheme-only design and the economic check were applied to the 2020 scheme valuations for the devolved public sector pension schemes, including the NICS pension scheme. The 2020 scheme valuation outcome was that the core cost cap cost of the scheme lies within the 3% cost cap corridor. As there is no breach of the cost control mechanism, there is no requirement for the Department of Finance to consult on changes to the scheme. Further information can be found on the Department of Finance website <https://www.finance-ni.gov.uk/articles/northern-ireland-civil-service-pension-scheme-valuations>.

For 2023-24, employers' contributions of £1,179,357 were payable to the NICS pension arrangements (2022-23: £1,256,630, restated) at one of three rates in the range 28.7% to 34.2% of pensionable pay, based on salary bands.

Employees can opt to open a Partnership Pension Account, a stakeholder pension with an employer contribution. Employers' contributions of £Nil (2022-23: Nil) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2022-23: 8% to 14.75%) of pensionable pay.

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

Employer contributions of £Nil, 0.5% (2022-23: £Nil, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the partnership pension providers at the reporting period date were £nil. Contributions prepaid at that date were £nil.

No individuals (2022-23: None) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil (2022-23: £nil).

Average number of persons employed

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

[Audited information]

	2023-24	2022-23
Operational staff	128	143
Staff engaged on capital projects	-	-
Total	128	143

Staff composition

The number of persons employed was as follows:

	At 31 March 2024			At 31 March 2023		
	Female staff	Male Staff	Total Staff	Female staff	Male Staff	Total Staff
LSA Board	3	2	5	3	2	5
Senior Civil Service	-	1	1	-	1	1
LSA Employees	77	59	136	78	67	145

Managing attendance

The Agency had an overall sickness absence rate of 12.6 days lost per employee in 2022/23. Annual sickness absence figures can be found in the "Sickness Absence in the Northern Ireland Civil Service 2022/23" report at [Sickness Absence in the Northern Ireland Civil Service 2022/23 | Northern Ireland Statistics and Research Agency \(nisra.gov.uk\)](https://www.nisra.gov.uk/sickness-absence-in-the-northern-ireland-civil-service-2022-23). The NICS Sickness Absence Report for 2023-24 is due to be published later in 2024 and Departmental/Agency reports will be available shortly afterwards.

Staff well-being

During 2023-24, through the NICS Well Programme LSA has continued to make staff aware of a wide range of on-line well-being events, challenges, guidance and support. The information available covers all aspects of well-being from mental and physical health to financial health and is an invaluable resource for all staff. There are regular on-line events promoted every month and staff are encouraged to attend according to their needs. During 2023-24 all managers were required to attend a webinar on Managing Sickness Absence to gain a better understanding of the processes to be followed during periods of staff absence to support staff back into work.

Staff policies

Pay policy

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

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

The pay award system is administered centrally and aims to:

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

Equality, Diversity and Inclusion

The NICS values and welcomes diversity and is committed to creating a truly inclusive workplace for all.

The NICS Diversity Champions Network includes senior colleagues as designated Diversity Champions for each of the nine NICS departments, as well as four thematic leads for gender, race and ethnicity, disability and LGBTQ+. The network alongside the NICS corporate HR function, People and Organisational Development, develops and delivers an annual NICS Diversity Action Plan, which sets out priorities for action by diversity and inclusion theme and cross-cutting priorities.

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

As part of the NICS' efforts to ensure equality of opportunity, the NICS continually conducts comprehensive reviews into the composition of its workforce and recruitment activity, publishing a wide range of data. The statistics are available on the [Northern Ireland Statistics and Research Agency \(NISRA\)'s website](#).

Equality, Diversity and Inclusion (continued)

The NICS continues to meet its statutory obligations under the Fair Employment & Treatment (NI) Order 1998, which includes submission of an annual Fair Employment Monitoring Return and a tri-annual Article 55 Review to the Equality Commission for NI (ECNI), both of which assess the composition of the NICS workforce and the composition of applicants and appointees. Although not a statutory requirement, the NICS also conducts a similar formal review of the gender profile of its workforce. The findings from both tri-annual reviews are published in the NICS [Workforce Review](#)

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

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

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

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

Employment, training and advancement of disabled persons

The NICS is a lead partner of Employers for Disability NI (EFDNI) and in 2023 was accredited as a [Disability Positive](#) employer.

The NICS delivers an annual programme of communications and training on disability awareness and understanding and has policies in place to support inclusive workplaces. A review of the NICS reasonable adjustment process for in-work support commenced in 2023 and a new reasonable adjustment policy and supporting resources is anticipated to launch during 2024. The NICS Disability Working Group, which includes representatives from the disability sector and colleagues with lived experience is a key stakeholder in the reasonable adjustment policy review.

The NICS is committed to the employment of disabled people and offers work experience for disabled people through the [NICS Work Experience Scheme for Disabled People](#) and annual participation in International Job Shadow Day (IJSJ).

Employment, training and advancement of disabled persons (continued)

To encourage job applications from disabled people, positive action advertising and targeted advertising alongside a programme of outreach are used. The NICS operates a Guaranteed Interview Scheme (GIS) which ensures a guaranteed number of disabled applicants, who meet the minimum essential eligibility criteria for the role they have applied for, are offered an interview. Further information can be found on the “Information for disabled applicants” section of the [NICS recruit website](#).

All selection panel members complete mandatory recruitment and selection training, and appointments to the NICS are made on merit on the basis of fair and open competition, adhering to the [Recruitment Code](#).

Learning and development

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

Development and delivery of generic staff training is centralised in NICS⁷. Training is delivered using a variety of learning delivery channels (including classroom delivery, on-line, and virtual classrooms), providing flexible access to learning. Coherent learning pathways are aligned to both corporate need and the NICS Competency Framework.

Talent management is a key theme and highlights the importance of the development conversation between managers and staff, with a number of resources available within a talent management toolkit.

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

In LSA all staff completed a Personal Development Plan which identified training needs for 2023-24. All new LSA staff will now be able to access an enhanced Induction which includes details on corporate policy, the end-to-end business journey, an overview of the digital system and a range of mandatory training.

Learning and development was a key focus for the Agency in 2023-24 as outlined in the Business Plan. The Agency invested in leadership, line management and performance management training for all staff. Further work is ongoing to develop an effective approach to ensuring all staff have access to development in a timely way.

Employee involvement and Trade Union relationships

The Department of Finance is responsible for the NICS Industrial Relations Policy. People & Organisational Development consults on HR policy with all recognised Trade Unions and local departmental arrangements are in place to enable consultation on matters specific to a department or individual business area.

⁷ NICS⁷ is the NICS' centralised human resources operational delivery function, falling under the responsibility of the Department of Finance

Employee involvement and Trade Union relationships (continued)

During 2023-24 the Agency published regular team briefs focused on keeping staff involved even when working from home. The SMT have held both remote and in person Agency-wide communication events to establish a sense of cohesion and provide an opportunity to thank and reassure staff.

Under the DoJ Staff Engagement Strategy, LSA is represented on the DoJ Staff Engagement Forum. The purpose of the Forum is to provide a voice for staff to discuss issues and concerns and, on many fronts, influence the future direction of the Department. The Forum usually meets quarterly, and members are asked to:

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

The Agency's internal Staff Engagement Forum aims to improve communications and engagement and to obtain staff views and feedback to enhance the way we engage.

Staff engagement

When launching the 2023 NICS People Survey in April 2023, the Head of the Civil Service issued a message that the frequency of the Survey was changing from yearly to every other year to allow for proper targeting of actions, and so a People Survey is not due to take place in 2024.

The 2023 NICS People Survey is therefore the most recent survey and was conducted by NISRA across the nine NICS ministerial Departments as well as the Public Prosecution Service and the Health & Safety Executive for NI. All staff working in these organisations were invited to take part in the survey. For LSANI, all permanent staff were invited to complete the survey, of which 67 (2021: 90) participated, a response rate of 48% (2021: 60%). The Employee Engagement Index (EEI) is the weighted average of the responses to the five employee engagement questions, and it ranges from 0% to 100%. LSANI responses indicated an Employee Engagement Index of 51% (2021: 53%), compared to the NICS average of 54% (2021: 57%). The full survey can be accessed at <https://www.finance-ni.gov.uk/publications/nics-people-survey-results>.

Staff turnover

The Agency Turnover percentage (the total number of people that have left the Agency including those who have moved within the NICS) for 2023-24 is 6.0%, and the General Turnover percentage (the people who have left the Agency and have not gone elsewhere in the NICS) is 0.8%. This has been calculated by NICS HR based on the Cabinet Office Guidance on calculations for Turnover in the Civil Service.

	2023-24	2022-23
Departmental Turnover Rate	6.0%	12.6%
General Turnover Rate	0.8%	2.1%

Expenditure on consultancy

The Agency incurred no expenditure on consultancy during 2022-23 or 2023-24.

Off-payroll payments

The Agency made no off-payroll payments in 2022-23 or 2023-24.

Reporting of Civil Service and other compensation schemes - exit packages

[Audited information]

There were no exit packages requiring disclosure during 2022-23 or 2023-24.

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES

Regularity of Expenditure

[Audited information]

Fraud and error

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

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

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

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

Estimates of official error within individual sampled legal aid payments have been provided by the SAU, within the DfC, under a Memorandum of Understanding since 2019. The estimated level of overpayments in legal aid expenditure resulting from official error in 2023-24 is £0.6m (2022-23: £1.3m; 2021-22: £1.0m; 2020-21: £4.4m), whilst the estimated level of underpayments is £1.5m (2022-23: £1.2m; 2021-22: £0.9m; 2020-21: £1.2m).

Estimates of applicant fraud and error within individual sampled legal aid payments have been provided by the SAU, within the DfC, under a Memorandum of Understanding since 2021. The amount of legal aid estimated to have been paid incorrectly due to applicant fraud and error in 2021-22 was £1.3m. For the reasons outlined in Section 6 of the Governance Statement, applicant fraud and error testing in its former guise was suspended in 2022 and replaced with a review of live cases under the heading of Future Overpayment Prevention. The 2021-22 figure of £1.3m remains the official baseline for applicant fraud and error within legal aid expenditure.

Estimates of practitioner fraud and error within individual sampled legal aid payments have been provided by the SAU, within the DfC, under a Memorandum of Understanding since 2023. The estimated level of overpayments in legal aid expenditure resulting from practitioner fraud and error in 2023-24 is £2.2m, whilst the estimated level of underpayments is £1.3m.

OTHER ASSEMBLY ACCOUNTABILITY DISCLOSURES (CONTINUED)

[Audited information]

Losses and special payments

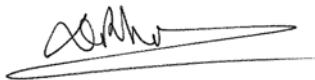
During 2023-24, there were no losses that require disclosure (2022-23: 205 trade receivable cases written-off totalling £778,704).

There were no special payments during 2023-24 that require disclosure (2022-23: None).

Remote contingent liabilities

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

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

ACCOUNTABILITY REPORT

Paul Andrews
Chief Executive and Accounting Officer
1 July 2024

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

Opinion on financial statements

I certify that I have audited the financial statements of the Legal Services Agency Northern Ireland for the year ended 31 March 2024 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Legal Services Agency Northern Ireland financial statements is applicable law and UK adopted international accounting standards as interpreted and adapted by the Government Financial Reporting Manual.

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

In my opinion the financial statements:

- give a true and fair view of the state of the Legal Services Agency Northern Ireland's affairs as at 31 March 2024 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Qualified Opinion on regularity

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

Basis for opinions

My examination found material weaknesses in controls over fraud and error prevention and detection in respect of legal aid costs totalling £130.1 million:

- The Agency is required to pay legal aid costs in accordance with legislation. Statistics produced by the Agency estimated £0.6 million of overpayments and £1.5 million of underpayments of legal aid costs were made in the year due to official error (£2.2 million in total). Statistics produced by the Agency estimated £2.2 million of overpayments and £1.3 million of underpayments of legal aid costs were made during the year due to legal practitioner fraud and error (£3.5 million in total). Where fraud and error results in overpayments and underpayments, the transactions have not been processed in accordance with the applicable legislation and are therefore irregular.

- The Agency was unable to provide sufficient evidence to enable me to conclude that a material amount of legal aid expenditure had not been claimed fraudulently or in error by legal aid applicants. There were no additional audit procedures that I could undertake to provide me with assurance as to the regularity of this expenditure. The scope of my audit was therefore limited in this respect, and I am unable to form an opinion on whether all of the remaining balance of expenditure on legal aid was in accordance with the purposes intended by the Assembly and that these financial transactions conformed to the authorities which governed them.

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

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

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

Conclusions relating to going concern

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

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

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

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

Other Information

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

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

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

Matters on which I report by exception

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

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

Except for the lack of sufficient appropriate audit evidence, which has led to the limitation in scope of our audit opinion detailed above, to allow for an assessment of fraud and error in legal aid funding granted to applicants, I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit.

Responsibilities of the Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

My procedures included:

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

- addressing the risk of fraud as a result of management override of controls by:
 - performing analytical procedures to identify unusual or unexpected relationships or movements;
 - testing journal entries to identify potential anomalies, and inappropriate or unauthorised adjustments;
 - assessing whether judgements and other assumptions made in determining accounting estimates were indicative of potential bias; and
 - investigating significant or unusual transactions made outside of the normal course of business; and
- applying tailored risk factors to datasets of financial transactions and related records to identify potential anomalies and irregularities for detailed audit testing.

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

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

Report

My report on these matters subject to qualification is included on pages 123 to 130 of the financial statements.



Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
BELFAST
BT7 1EU
2 July 2024

FINANCIAL STATEMENTS**Statement of Comprehensive Net Expenditure****For the year ended 31 March 2024**

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

	Note	2023-24 £000	2022-23 £000
Revenue from contracts with customers	5	–	-
Other operating income	5	(2,100)	(763)
Total operating income		(2,100)	(763)
Staff costs	3	6,449	6,591
Purchase of goods and services	3	1,574	1,673
Depreciation and amortisation charges	3	1,298	1,530
Provisions expense	3	130,127	97,149
Grants	3	10	10
Total operating expenditure		139,458	106,953
Net operating expenditure		137,358	106,190
Finance expense	3	38	22
Net expenditure for the year		137,396	106,212
Audit notional costs	3	86	84
Other notional costs	3	549	544
Total notional costs		635	628
Net expenditure for the year including notionals		138,031	106,840
Other comprehensive net expenditure			
Items that will not be reclassified to Net operating expenditure:			
- net (gain) on revaluation of property, plant and equipment	6	–	-
- net (gain) on revaluation of intangibles	7	(248)	(648)
Comprehensive net expenditure for the year		137,783	106,192

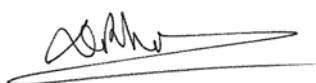
The notes on pages 85 to 121 form part of these Accounts.

Statement of Financial Position

As at 31 March 2024

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

	Note	31 March 2024 £000	31 March 2023 £000
Non-current assets			
Property, plant and equipment	6	1,332	1,657
Intangible assets	7	5,259	5,619
Trade & other receivables	10	1	1
Total non-current assets		6,592	7,277
Current assets			
Trade and other receivables	10	9,897	9,184
Total current assets		9,897	9,184
Total assets		16,489	16,461
Current liabilities			
Trade and other payables	11	(4,535)	(3,488)
Provisions	12	(91,530)	(75,888)
Total current liabilities		(96,065)	(79,376)
Total assets less current liabilities		(79,576)	(62,915)
Non-current liabilities			
Provisions	12	(83,675)	(82,742)
Other payables	11	(719)	(987)
Total non-current liabilities		(84,394)	(83,729)
Total assets less total liabilities		(163,970)	(146,644)
Taxpayers' equity and other reserves			
General Fund		(165,149)	(147,754)
Revaluation Reserve		1,179	1,110
Total equity		(163,970)	(146,644)



Paul Andrews
Chief Executive and Accounting Officer

1 July 2024

The notes on pages 85 to 121 form part of these Accounts.

Statement of Cash Flows

For the year ended 31 March 2024

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

	Note	2023-24 £000	2023-24 £000
Cash flows from operating activities			
Net expenditure for the year including notionals		(138,031)	(106,840)
Adjustment for non-cash transactions	4	131,917	98,715
(Increase)/decrease in trade and other receivables	10	(570)	650
Increase/(decrease) in trade and other payables	11	578	(905)
Use of provisions	12	(113,616)	(101,408)
Net cash outflow from operating activities		(119,722)	(109,788)
Cash flows from investing activities			
Purchase of property, plant and equipment		(17)	(372)
Purchase of intangible assets		(246)	(148)
Net cash outflow from investing activities		(263)	(520)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - current year		119,822	110,521
Capital element of payments in respect of finance leases		(258)	(19)
Net financing		119,564	110,502
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(421)	194
Receipts due to the Consolidated Fund which are outside the scope of the Agency's activities		-	-
Payments of amounts due to the Consolidated Fund		-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(421)	194
Cash and cash equivalents at the beginning of period	9	(1,307)	(1,501)
Cash and cash equivalents at the end of period	9	(1,728)	(1,307)

The notes on pages 85 to 121 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2024

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

	Note	General Fund £000	Revaluation Reserve £000	Taxpayers' Equity £000
Balance at 31 March 2022		(152,199)	598	(151,601)
Net Assembly Funding		110,521	-	110,521
Comprehensive net expenditure for the year		(106,840)	648	(106,192)
Auditor's remuneration	3	84	-	84
Other notionals	3	544	-	544
Transfer between reserves		136	(136)	-
Balance at 31 March 2023		(147,754)	1,110	(146,644)
Net Assembly Funding		119,822	-	119,822
Comprehensive net expenditure for the year		(138,031)	248	(137,783)
Auditor's remuneration	3	86	-	86
Other notionals	3	549	-	549
Transfer between reserves		179	(179)	-
Balance at 31 March 2024		(165,149)	1,179	(163,970)

The notes on pages 85 to 121 form part of these Accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2023-24 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

1.1 Accounting convention

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

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

1.2 Going concern

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

1.3 Property, plant and equipment

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

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

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

1.4 Intangible assets

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

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

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

1.5 Revaluation Reserve

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

1.6 Depreciation and amortisation

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

Estimated useful lives, which are reviewed regularly, are:

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

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

1.7 Realised element of depreciation from Revaluation Reserve

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

1.8 Value Added Tax

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

1.9 Provisions

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

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

1.10 Contingent liabilities

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

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

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

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

1.11 Leases

In 2022-23 the Agency adopted the new leasing standard, IFRS 16 for the first time, introducing a single lease accounting model that requires a lessee to recognise assets and liabilities for all leases (apart from the exemptions listed below).

Scope and exclusions

At inception of a contract, the Agency assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time. To assess whether a contract conveys the right to control the use of an identified asset, the Agency assesses whether:

- the contract involves the use of an identified asset;
- the Agency has the right to obtain substantially all of the economic benefit from the use of the asset throughout the period of use; and
- the Agency has the right to direct how and for what purpose the asset is used for.

1.12 Leases (continued)

IFRS 16 has also been applied to leases with nil or nominal consideration, for example peppercorn leases, defined as lease payments significantly below market value. These assets are measured at current value in use or fair value on initial recognition.

When making the above assessments the Agency excludes two types of leases:

- low value assets, with an assessment performed on the underlying asset when new (these are determined to be in line with capitalisation thresholds); and
- leases with a lease term of 12 months or less.

At the commencement of a lease the Agency recognises a right of use asset and a lease liability.

Right of use assets

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease. The right of use assets are subsequently measured at either fair value or current value in existing use in line with property, plant and equipment assets.

The right of use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis of those of property, plant and equipment assets.

The Agency applies IAS 36 Impairment of Assets to determine whether the right of use asset is impaired and to account for any impairment loss identified.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that cannot be readily determined, the rate provided by HM Treasury (3.51% for leases recognised in 2023, 4.72% for those in 2024).

The lease payment is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in the index or rate, if there is a change in the Agency estimates of the amount expected to be payable under a residual value guarantee, or if the Agency changes its assessment of whether it will exercise a purchase, extension or termination option.

1.12 Third-party assets

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

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

1.13 Financing

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

1.14 Classification of Income and Expenditure

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

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

1.15 Income

Revenue from contracts with customers

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

Sale of goods and services

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

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

1.15 Income (continued)

Other operating income

Other operating income is income which relates directly to the operating activities of the Agency including:

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

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

1.16 Staff costs

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

1.17 Pension costs

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

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

1.18 Grants payable

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

1.19 Notional charges

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

1.20 Segmental reporting

Under the requirements of IFRS 8 *Operating Segments*, the Agency must disclose information to enable users of the financial statements to evaluate the nature and financial effects of the business in which it engages and the economic environment in which it operates. 'Total Assets' are only required to be disclosed in reporting segments where total assets for segments are regularly reported to the Chief Operating Decision Maker. As total assets for segments are not regularly reported to the Chief Operating

1.20 Segmental reporting (continued)

Decision Maker the Agency has adopted this option. This does not have a material impact on the Agency's financial statements. Full details of the reporting segments are contained within Note 2.

1.21 Financial Instruments

Recognition and de-recognition of financial assets and financial liabilities

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

Financial assets

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

Trade and other receivables

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

Cash and cash equivalents

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

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

Impairment of financial assets

The Agency assesses at each reporting date whether a financial asset or group of financial assets are impaired. Where there is objective evidence that an impairment loss has arisen on assets carried at amortised cost, the carrying amount is reduced with the loss being recognised in the Statement of Comprehensive Net Expenditure. The impairment loss is measured as the difference between that asset's carrying amount

1.21 Financial Instruments (continued)

Impairment of financial assets (continued)

and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is only reversed if it can be related objectively to an event after the impairment was recognised and is reversed to the extent that carrying value of the asset does not exceed its amortised cost at the date of reversal.

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

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

Financial liabilities

Trade and other payables

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

1.22 Critical accounting estimates and key judgements

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

Legal aid provisions

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

1.22 Critical accounting estimates and key judgements (continued)

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

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

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

1.23 Accounting standards, amendments, interpretations or other updates that were issued and effective for the 2023-24 financial year

The Agency has considered those new Standards, interpretations and amendments to existing Standards which have been published and are mandatory for the Agency's accounting periods beginning on or after 1 April 2023 or later periods, but which the Agency has not adopted. The Agency considers that these are either not relevant or material to its operations.

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

The Agency has considered those new Standards, interpretations and amendments to existing Standards which have been published but are not yet effective, nor adopted early for these Accounts. The Agency considers that these are either not relevant or material to its operations.

Standard	IFRS 18 Presentation and Disclosure in Financial Statements
Effective date	January 2027
FReM application	Not before 2027-28
Description of revision	IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024, replacing IAS 1 Presentation of Financial Statements, and is effective for accounting periods beginning on or after 1 January 2027.
Comments	IFRS 18 will be implemented, as interpreted and adapted for the public sector if required, from a future date (not before 2027-28) that will be determined by the UK Financial Reporting Advisory Board in conjunction with HM Treasury following analysis of this new standard.

1.25 Financial reporting - future developments

The Department has considered the accounting initiatives identified by HM Treasury and Department of Finance covering potential changes and projects where standards, amendments or interpretations are in development. The Department considers that these changes are either not relevant or material to its operations.

2. Statement of Operating Expenditure by Operating Segment

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

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

	2023-24		
	£000		
	Civil legal services	Criminal legal aid	Total
Gross expenditure	73,159	66,972	140,131
Income	(2,075)	(25)	(2,100)
Net expenditure	71,084	66,947	138,031

	2022-23		
	£000		
	Civil legal services	Criminal legal aid	Total
Gross expenditure	49,136	58,467	107,603
Income	(736)	(27)	(763)
Net expenditure	48,400	58,440	106,840

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

			2023-24 £000
	Civil legal services	Criminal legal aid	Total
Total net expenditure reported for Operating Segments	71,084	66,947	138,031
Reconciling items	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	71,084	66,947	138,031

			2022-23 £000
	Civil legal services	Criminal legal aid	Total
Total net expenditure reported for Operating Segments	48,400	58,440	106,840
Reconciling items	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	48,400	58,440	106,840

2.2 Reconciliation between Operating Segments and Statement of Financial Position

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

3. Programme expenditure

	Note	2023-24 £000	2022-23 £000
Staff costs*			
Wages and salaries		4,727	4,768
Social security costs		478	483
Other pension costs		1,244	1,340
		6,449	6,591
Purchase of goods and services			
Accommodation costs, maintenance and utilities		191	117
IT, communications and office services		21	8
Consumables, equipment and transport costs		1	9
Contracted out and managed services		489	738
Professional and consultancy costs		99	70
Client and programme operating costs		579	140
Rentals under operating leases		–	299
Staff related costs		38	38
Other costs		233	783
Auditor's remuneration		-	1
Appeals Panel and Non-Executive Member costs		66	62
		1,717	2,265
Non-cash items			
Loss on disposal of non-current assets		-	3
(Decrease)/increase in impairment of trade receivables	10	(143)	(595)
		(143)	(592)
		1,574	1,673
Depreciation and amortisation charges			
Depreciation	6	391	151
Amortisation	7	907	1,379
		1,298	1,530
Provisions expense			
Provided in year	12	102,947	93,337
Re-measurement of opening balance	12	27,180	3,812
		130,127	97,149
Grants			
		10	10
Finance expense			
		38	22
Programme expenditure excluding notionals			
		139,496	106,975
Audit notional costs		86	84
Other notional costs		549	544
Total notional costs		635	628
Total Programme expenditure		140,131	107,603

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

4. Non-cash costs

	Note	2023-24 £000	2022-23 £000
Purchase of goods and services	3	(143)	(592)
Notional costs		635	628
Depreciation and impairment charges	6, 7	1,298	1,530
Other provisions expense	12	130,127	97,149
		131,917	98,715

5. Income

	2023-24 £000	2022-23 £000
Revenue from contracts with customers	-	-
Other operating income		
Contributions and statutory charges	2,100	747
Grant income	-	16
	2,100	763
Total operating income	2,100	763

6. Property, plant and equipment

	2023-24			
	Buildings £000	Plant and Machinery £000	Information Technology £000	Total £000
Cost or valuation				
At 1 April 2023	1,597	117	89	1,803
Additions	64	2	-	66
Disposals	-	-	-	-
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2024	1,661	119	89	1,869
Depreciation				
At 1 April 2023	133	8	5	146
Charged in year	337	24	30	391
Disposals	-	-	-	-
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2024	470	32	35	537
Carrying amount at 31 March 2024	1,191	87	54	1,332
Carrying amount at 31 March 2023	1,464	109	84	1,657
Asset financing:				
Owned	-	87	54	141
Finance leased	1,191	-	-	1,191
Carrying amount at 31 March 2024	1,191	87	54	1,332

6. Property, plant and equipment (continued)

	Buildings	Plant and	Information	2022-23
	£000	Machinery	Technology	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2022	-	1,188	34	1,222
Additions	1,597	118	90	1,805
Disposals	-	(1,189)	(35)	(1,224)
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2023	1,597	117	89	1,803
Depreciation				
At 1 April 2022	-	1,185	30	1,215
Charged in year	133	10	8	151
Disposals	-	(1,187)	(33)	(1,220)
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2023	133	8	5	146
Carrying amount at 31 March 2023	1,464	109	84	1,657
Carrying amount at 31 March 2022	-	3	4	7
Asset financing:				
Owned	-	109	84	193
Finance leased	1,464	-	-	1,464
Carrying amount at 31 March 2023	1,464	109	84	1,657

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

7. Intangible assets

	Software licences £000	Software £000	2023-24 Total £000
Cost or valuation			
At 1 April 2023	32	11,470	11,502
Additions	-	299	299
Disposals	-	-	-
Revaluation released to SoCNE	-	-	-
Revaluation	-	597	597
At 31 March 2024	32	12,366	12,398
Amortisation			
At 1 April 2023	17	5,866	5,883
Charged in year	8	899	907
Disposals	-	-	-
Revaluation released to SoCNE	-	-	-
Revaluation	-	349	349
At 31 March 2024	25	7,114	7,139
Carrying amount at 31 March 2024	7	5,252	5,259
Carrying amount at 31 March 2023	15	5,604	5,619
Asset financing:			
Owned	7	5,252	5,259
Carrying amount at 31 March 2024	7	5,252	5,259

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

7. Intangible assets (continued)

	Software licences £000	Software £000	2022-23 Total £000
Cost or valuation			
At 1 April 2022	30	9,900	9,930
Additions	-	228	228
Disposals	-	-	-
Revaluation released to SoCNE	-	-	-
Revaluation	2	1,342	1,344
At 31 March 2023	32	11,470	11,502
Amortisation			
At 1 April 2022	8	3,800	3,808
Charged in year	8	1,371	1,379
Disposals	-	-	-
Revaluation released to SoCNE	-	-	-
Revaluation	1	695	696
At 31 March 2023	17	5,866	5,883
Carrying amount at 31 March 2023	15	5,604	5,619
Carrying amount at 31 March 2022	22	6,100	6,122
Asset financing:			
Owned	15	5,604	5,619
Carrying amount at 31 March 2023	15	5,604	5,619

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

8. Financial instruments

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

Classification of financial instruments

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

Credit risk

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

Liquidity risk

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

Interest rate risk

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

Currency risk

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

9. Cash and cash equivalents

	2023-24 £000	2022-23 £000
Balance at 1 April	(1,307)	(1,501)
Net change in cash and cash equivalent balances	(421)	194
Balance at 31 March	(1,728)	(1,307)

The following balances at 31 March are held at:

NI banking pool	(1,728)	(1,307)
Commercial banks and cash in hand	-	-
Balance at 31 March	(1,728)	(1,307)

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

	Note	2023-24 £000	2022-23 £000
Current assets		-	-
Current liabilities	11	(1,728)	(1,307)
Total		(1,728)	(1,307)

10. Trade receivables, financial and other assets

	2023-24	2022-23
	£000	£000
Amounts falling due within one year:		
VAT	12	41
Trade receivables	9,768	8,938
Other receivables	3	4
Prepayments and accrued income	114	201
	9,897	9,184
Amounts falling due after one year		
Other receivables	1	1
Total	9,898	9,185

Trade receivables are stated net of the following impairment:

	2023-24	2022-23
Note	£000	£000
Gross trade receivables at 31 March	11,015	10,328
Less impairment of trade receivables:		
At 1 April	1,390	1,985
Increase in impairment during the year	3 301	410
Decrease in impairment during the year	3 (444)	(1,005)
Impairment at 31 March	1,247	1,390
Net trade receivables at 31 March	9,768	8,938

11. Trade payables, financial and other liabilities

	2023-24	2022-23
Note	£000	£000
Amounts falling due within one year:		
Bank overdraft	9 1,728	1,307
Trade payables	349	606
Other payables	486	484
Accruals and deferred income	1,704	833
Current part of lease liabilities	13 268	258
	4,535	3,488
Amounts falling due after one year		
Leases	13 719	987
Total	5,254	4,475

12. Provisions for liabilities and charges

				2023-24
	Legal aid £000	Litigation claims £000	Other £000	Total £000
At 1 April 2023	158,052	425	153	158,630
Provided in the year	102,847	100	64	103,011
Re-measurement of opening balance	27,275	(95)	-	27,180
Provisions utilised in the year	(113,500)	(116)	-	(113,616)
Balance at 31 March 2024	174,674	314	217	175,205

				2022-23
	Legal aid £000	Litigation claims £000	Other £'000	Total £000
At 1 April 2022	162,380	356	-	162,736
Provided in the year	93,061	276	153	93,490
Re-measurement of opening balance	3,909	(97)	-	3,812
Provisions utilised in the year	(101,298)	(110)	-	(101,408)
Balance at 31 March 2023	158,052	425	153	158,630

Analysis of expected timing of cash flows

				2023-24
	Legal aid £000	Litigation claims £000	Other £000	Total £000
Not later than one year	91,216	314	-	91,530
Later than one year and not later than five years	70,581	-	217	70,798
Later than five years	12,877	-	-	12,877
Balance at 31 March 2024	174,674	314	217	175,205

				2022-23
	Legal aid £000	Litigation claims £000	Other £000	Total £000
Not later than one year	75,463	425	-	75,888
Later than one year and not later than five years	69,862	-	153	70,015
Later than five years	12,727	-	-	12,727
Balance at 31 March 2023	158,052	425	153	158,630

12.1 Legal aid: £174.674m (2022-23: £158.052m)

The legal aid provisions can be further analysed as follows:

			2023-24
	Civil legal services £000	Criminal legal aid £000	Total £000
At 1 April 2023	99,864	58,188	158,052
Provided in the year	46,505	56,342	102,847
Re-measurement of opening balance	21,735	5,540	27,275
Provisions utilised in the year	(63,025)	(50,475)	(113,500)
Balance at 31 March 2024	105,079	69,595	174,674
			2022-23
	Civil legal services £000	Criminal legal aid £000	Total £000
At 1 April 2022	108,480	53,900	162,380
Provided in the year	45,459	47,602	93,061
Re-measurement of opening balance	(1,690)	5,599	3,909
Provisions utilised in the year	(52,385)	(48,913)	(101,298)
Balance at 31 March 2023	99,864	58,188	158,052

12.1.1 Analysis of provisions by sub-categories

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

						2023-24
	Represent- ation Lower £000	Advice and Assistance £000	Represent- ation Lower (Children) £000	Represent- ation Higher £000	Exceptional Funding £000	Total £000
At 1 April 2023	973	2,985	6,691	84,155	5,060	99,864
Provided in the year	1,451	3,685	4,422	35,639	1,308	46,505
Re-measurement of opening balance	(92)	(559)	165	20,086	2,135	21,735
Provisions utilised in the year	(1,256)	(4,011)	(4,629)	(52,202)	(927)	(63,025)
Balance at 31 March 2024	1,076	2,100	6,649	87,678	7,576	105,079

12.1.1 Analysis of provisions by sub-categories (continued)

Civil legal services

						2022-23
	Represent- ation Lower	Advice and Assistance	Represent- ation Lower (Children)	Represent- ation Higher	Exceptional Funding	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2022	1,150	2,674	6,937	86,353	11,366	108,480
Provided in the year	1,472	3,855	4,081	33,455	2,596	45,459
Re-measurement of opening balance	53	(113)	852	6,648	(9,130)	(1,690)
Provisions utilised in the year	(1,702)	(3,431)	(5,179)	(42,301)	228	(52,385)
Balance at 31 March 2023	973	2,985	6,691	84,155	5,060	99,864

Criminal legal aid

						2023-24
	Magistrates Court	Crown Court	Appeals, Bail and Extradition	Court of Appeal Criminal Appeals	Total	
	£000	£000	£000	£000	£000	£000
At 1 April 2023	14,364	41,530	1,011	1,283	58,188	
Provided in the year	17,712	33,342	959	4,329	56,342	
Re-measurement of opening balance	1,971	3,005	1,164	(600)	5,540	
Provisions utilised in the year	(19,432)	(25,075)	(2,067)	(3,901)	(50,475)	
Balance at 31 March 2024	14,615	52,802	1,067	1,111	69,595	

Criminal legal aid

						2022-23
	Magistrates Court	Crown Court	Appeals, Bail and Extradition	Court of Appeal Criminal Appeals	Total	
	£000	£000	£000	£000	£000	£000
At 1 April 2022	13,378	38,751	650	1,121	53,900	
Provided in the year	17,809	24,985	1,060	3,748	47,602	
Re-measurement of opening balance	1,585	3,208	644	162	5,599	
Provisions utilised in the year	(18,408)	(25,414)	(1,343)	(3,748)	(48,913)	
Balance at 31 March 2023	14,364	41,530	1,011	1,283	58,188	

12.1.2 How the figures are derived

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

Summary position

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

	2023-24		2022-23	
	Volume of cases	£000	Volume of cases	£000
Cases costed at an average cost	68,630	132,578	70,583	129,170
Cases costed where an average cost is not applicable	1,145	42,096	907	28,882
Total	69,775	174,674	71,490	158,052

Volumes

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

Following a significant project of work by the Data Management Team to cleanse the system of old inactive cases, only a small cadre of old cases remain under review. Facilitated by the inactivity prompt functionality which was activated in LAMS in December 2022, a systematic programme of inactivity reviews has been implemented throughout 2023-24. This has meant that any case that has been inactive for more than a pre-defined period of months has been flagged for review and targeted action taken as necessary. Over the course of 2023-24 the Agency has been refining inactivity settings for all case types whilst ensuring volumes of prompts are manageable for both the Agency and practitioners.

In prior years, an adjustment would have been made to the volume reported from LAMS to reflect those cases falling under the scope of the Team's work and those cases flagged by the new inactivity prompt which fall outside 'normal' lifecycles. An adjustment continues to be made but due to the significant progress made on old cases, this adjustment now only needs to address those cases flagged through the inactivity prompt and outside 'normal' lifecycles.

12.1.2 How the figures are derived (continued)

Costs

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

i. cases costed at an average cost

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

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

ii. cases costed where an average cost is not applicable

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

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

12.1.3 Judgements made by management

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

- **average costs** - based on an analysis of historical payment values and volumes of closed cases, a series of average costs are calculated by primary nature within each legal aid level of service. This series of averages is then applied to the open certificate volume provided in line with the latest historical payment profile;
- **lifecycle of certificates** - an analysis of the reports authorised for payment, aged to the certificate granted date to determine a lifecycle per certificate within each business area of the LSA. As a result of the significant progress made by the Agency to cleanse LAMS of inactive cases, the application of life cycles is now limited to the review of a small volume of cases.

12.1.4 Uncertainties

Inactivity

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

Further analysis of the volume has identified cases that met the initial rules of data migration but have been inactive since LAMS went live in summer 2019. The lack of activity may indicate that the case did not proceed or has been settled outside court and hence there may be no further liability to the fund. A project team was established to analyse these cases and communicate with suppliers to establish if an outstanding liability remains or the cases can be manually closed. This work was largely completed during 2022-23 with only a small cadre of cases carried forward into 2023-24 for review.

Furthermore, to strengthen the Agency's approach to managing inactive cases, the Agency turned on the inactivity prompt functionality in LAMS in December 2022. This prompt means that any case that has been inactive for more than a pre-defined number of months is flagged for review and allows targeted action to be taken where necessary. This systematic programme of inactivity reviews has been implemented throughout 2023-24 and inactivity settings have been refined.

12.1.4 Uncertainties (continued)

Given there remains an uncertainty regarding inactive cases albeit the volume of inactive cases is now greatly reduced, the following approach is still taken for calculating provisions:

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

Reporting

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

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

Timings

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

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

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

12.2 Litigation claims: £0.314m (2022-23: £0.425m)

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

The Court of Appeal (CoA) judgment from 17 June 2019 (PSNI v Agnew) determined that claims for Holiday Pay shortfall can extend as far back as 1998. However, the PSNI appealed the CoA judgment to the Supreme Court. The hearing was held in December 2022 and the judgment was delivered on 4 October 2023. The 2023-24 Holiday Pay provision has been estimated by HR and covers the period from November 1998 to 31 March 2020. There are still some significant elements of uncertainty around this estimate for a number of reasons:

- outstanding legal advice now required following the Supreme Court judgment;
- lack of accessible data for years previous to 2011; and
- ongoing negotiations with Trade Unions and their legal representatives.

12.3 Other: £0.217m (2022-23: £0.153)

Provision has been made for dilapidation costs or 'exit costs' which are payable by the Agency to the landlord at the end of its building lease. These costs are attributable to restoring the building to its original pre-lease state. Under IFRS 16, these costs have also been capitalised as part of the cost of the right-of-use asset.

13. Leases - Right of use assets

13.1 Non-current assets, as recorded in the Statement of Financial Position, include the following amounts for leased right of use assets:

	Land & Buildings £000	Plant and Machinery £000	Information Technology £000	2023-24 Total £000
Balance at 1 April 2022	1,464	-	-	1,464
Additions in period	64	-	-	64
Depreciation charged in year	(337)	-	-	(337)
Balance at 31 March 2024	1,191	-	-	1,191

	Land & Buildings £000	Plant and Machinery £000	Information Technology £000	2022-23 Total £000
Balance at 1 April 2022	-	-	-	-
Additions in period	1,597	-	-	1,597
Depreciation charged in year	(133)	-	-	(133)
Balance at 31 March 2023	1,464	-	-	1,464

13.2 Quantitative disclosures around lease - maturity analysis

	2023-24 £000	2022-23 £000
Buildings		
Not later than one year	296	296
Later than one year and not later than five years	748	1,044
Later than five years	-	-
	1,044	1,340
<i>Less: interest element</i>	(57)	(95)
Present value of lease obligations	987	1,245
Current portion	268	258
Non-current portion	719	987
	987	1,245

13.3 Quantitative disclosures around elements in the Statement of Comprehensive Net Expenditure

	2023-24 £000	2022-23 £000
Variable lease payments not included in lease liabilities	-	-
Sub-leasing income	-	-
Expense related to short-term leases	-	299
Expense related to low value leases (excluding short-term leases)	-	-
Total	-	299

13.4 Quantitative disclosures around cash outflows for leases

	2023-24 £000	2022-23 £000
Total cash outflow for leases	258	19

14. Capital commitments

There were no contracted capital commitments at 31 March 2023 or 31 March 2024.

15. Other financial commitments

There were no contracted financial commitments at 31 March 2023 or 31 March 2024.

16. Contingent liabilities

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

Legal aid provisions

The Agency has determined having an open legal aid certificate as a minimum requirement for carrying a provision for a legal aid case. There are a number of Legacy Inquests not impacted by The Legacy Act which will be progressed and for which a legal aid certificate may be granted at some point in the future. Too much uncertainty exists as to whether any future legal aid liability will arise so it is not possible to determine the timing or financial impact at this stage; therefore no allowance has been given for these in the figures included in Note 12.1.

16. Contingent liabilities (continued)

Statutory deductions

Leave to bring a Judicial Review has been granted in respect of the provisions of paragraphs 1(1) and 2(1) of Schedule 2 to the Legal Aid, Advice and Assistance (NI) Order 1981 which state that “The sums allowed to counsel/solicitor in connection with proceedings in the House of Lords, the Court of Appeal or the High Court, shall be ninety-five per cent, or such larger percentage as may be prescribed, of the amount allowed on taxation of the costs”. This effectively means that all civil cases funded by legal aid which are taxed attract this statutory deduction on the sum assessed by the Taxing Master. The challenge is against the legislation so the Department/Agency will be defending the proceedings. The hearing in respect of this case has been postponed and the timing of the outcome is not known at this stage.

Retrospectivity

Appeals in number of cases of potentially high value are currently being held in abeyance pending the outcome of litigation in relation to issues of retrospectivity. The litigation will confirm whether the Agency was correct in its interpretation of the Crown Court Rules in refusing to make grants (and by extension payments) in matters where work was completed prior to the Grant of Exceptional Preparation being made. The litigation is expected to be heard before the High Court in 2024-25. Until this time it is not possible to determine the timing or financial impact; therefore no allowance has been given for this in the figures included in Note 12.1.

Public Sector Pensions - Injury to Feelings Claims

The Department of Finance (DoF) is a named Respondent in a class action affecting employers across the public sector and is managing claims on behalf of the Northern Ireland Civil Service (NICS) Departments. This is an extremely complex case with potential implications for the NICS and wider public sector. However the cases are at a very early stage of proceedings and until there is further clarity on potential scope and impact, a reliable estimate of liability cannot be provided.

17. Related party transactions

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

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

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

18. Fraud and error measurement

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

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

Testing cases for practitioner error and fraud was introduced in January 2023 using a common sample approach with official error. This means that the same sampled cases are tested for both official and practitioner errors, allowing any observed errors to be attributed to the correct source.

Official error

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

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

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

18. Fraud and error measurement (continued)

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

Following legal advice received, only payments processed under The Civil Legal Services (Remuneration) Order (Northern Ireland) 2015 and The Criminal Legal Aid (Remuneration) Regulations 2013 are deemed eligible for testing. Cases where the final assessment of remuneration is subject to taxation have therefore been excluded from testing from 2020 onwards as they do not fall under the remit of this legislation. This means that the sampling methodology applied against the 2019 year has been amended and official error estimates from 2020 onwards are not directly comparable with estimates from previous years.

The sample of cases reviewed for 2023 was 544, compared with 756 in 2022 and 911 in 2021. The year end results for 2023 are set out below on the basis of the estimated monetary value of error (MVE):

Category of Error - 2023	Including Deemed Errors ¹			Excluding Deemed Errors ¹		
	Estimated MVE	% of Total Estimated MVE	% of Total Expenditure	Estimated MVE	% of Total Estimated MVE	% of Total Expenditure
LSANI Assessor Error	£1,328,784	60.9%	2.4%	£1,332,370	62.3%	2.5%
Additional fee	£548,908	25.2%	1.0%	£561,463	26.3%	1.0%
Fee trigger point and uncertified	£194,382	8.9%	0.4%	£194,382	9.1%	0.4%
Further information required from Practitioner	£61,091	2.8%	0.1%	£0	0.0%	0.0%
FEU Assessor Error	£49,135	2.3%	0.1%	£49,135	2.3%	0.1%
Total²	£2,182,301	100%	4.0%	£2,137,350	100%	3.9%

Notes:

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

2. Totals may not sum due to rounding.

18. Fraud and error measurement (continued)

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

The Agency expects the error rate to reduce over time as issues identified are addressed. The Agency is dedicated to continuous improvement in the error work programme through improved internal controls and the identification and implementation of interventions. Procedures and guidance continue to be reviewed to ensure responses to error are included. There is a lag to the full impact of interventions, as a case selected for testing after improvements have been introduced may include earlier payments made before the change took effect and in such cases the error will remain valid. It is likely to be in future years testing that the benefits of such actions are fully recognised.

The error details were also used to estimate the MVE broken down by overpayments and underpayments. Estimates from 2020 to 2023 are set out in Section 6 of the Governance Statement.

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

18. Fraud and error measurement (continued)

Practitioner error and fraud

As practitioner testing operates as part of a common sample with official error, the same strategic relationship applies with SAU under the same Memorandum of Understanding. Likewise, NISRA statisticians are responsible for deriving the common monthly samples throughout the year as well as extrapolating the results to produce independent annual estimates.

As practitioner testing operates as part of a common sample with official error, the same strategic relationship applies with SAU under the same Memorandum of Understanding. Likewise, NISRA statisticians are responsible for deriving the common monthly samples throughout the year as well as extrapolating the results to produce independent annual estimates.

Practitioner fraud and error arises from the actions of members of the legal profession who carry out legal aid work. In this instance, a practitioner is considered to be a solicitor or barrister who has been involved in working an eligible legal aid case against which a payment has been made in the reporting year. If randomly sampled, the associated payment is temporarily held by the Agency until the practitioner submits the full case file that is then shared with SAU for testing alongside the Agency's own file (for official error). SAU consider the application as well as the payment claim made by the practitioner for any evidence of potential of error or fraud which could result in the form of an overpayment or an underpayment. It is important to note that, as LSA assesses all applications and payments prior to approval much of the practitioner error is eliminated through this review process, so will not necessarily lead to an incorrect payment of public funds. As noted above, the common sample of cases reviewed in 2023 was 544.

The inaugural year end estimates for practitioner error and fraud are set out below on the basis of the estimated monetary value of error (MVE):

Category of Error ¹ 2023	Estimated MVE	% of Estimated MVE	% of Total Expenditure
Additional Fee	£1,034,064	29.5%	1.9%
File not received	£856,874	24.4%	1.6%
Fee claimed not evidenced	£840,772	24.0%	1.5%
Unable to verify time	£444,847	12.7%	0.8%
Unclaimed documents in file	£302,163	8.6%	0.6%
Anomaly in claim v evidence on file	£27,148	0.8%	0.1%
Total²	£3,505,869	100%	6.5%

Notes:

1. There can be more than one error identified within an individual case, including both overpayments and underpayments, and where this happens these errors are combined to calculate the total error within that particular case.

2. Totals may not sum due to rounding.

18. Fraud and error measurement (continued)

Applicant fraud and error

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

Following an initial delay due to Covid-19 restrictions, a methodology for measuring applicant fraud and error commenced in January 2021. This work was paused in 2022 and replaced with work to review the ongoing financial eligibility of assisted persons. This work is termed Future Overpayment Prevention (FOP) and testing commenced in May 2022.

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

Section 6 of the Governance Statement provides further details on the methodology for applicant fraud and error.

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

Note 1. Totals may not sum due to rounding.

19. Third-party assets

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

	2023-24	2022-23
	£000	£000
At 1 April	10	34
Damages received	-	30
Interest received	-	-
	10	64
Less:		
Sums repaid to assisted persons	10	(44)
Damages retained	-	(10)
Balance at 31 March	-	10

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

20. Events after the reporting date

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

Date for authorisation of issue

The Accounting Officer authorised these financial statements for issue on 2 July 2024.

OTHER**ANNEX A - GLOSSARY OF TERMS**

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

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

Background

1. The Legal Services Agency Northern Ireland (LSANI) is an executive agency of the Department of Justice (the Department), responsible for administering legal aid in Northern Ireland.
2. I have qualified my audit opinions on the annual accounts of the Northern Ireland Legal Services Commission (NILSC) and LSANI since 2004 due to fraud and error in legal aid payments, and up until last year in relation to weaknesses in the financial estimates of provisions for legal aid liabilities in the annual accounts.
3. Significant progress has been made by LSANI on its provisions for legal aid liabilities which allowed me to remove my qualification on this aspect in 2022-23. While progress has also been made in respect of fraud and error, the nature of legal aid payments is that they are subject to inherent risk in this respect. In particular, further work is needed to fully resolve the issues relating to official error in legal aid payments along with applicant and practitioner fraud and error. Consequently, I am again qualifying my regularity opinion on the 2023-24 financial statements of LSANI.

Purpose of the Report

4. I am required to examine, certify and report upon the financial statements prepared by LSANI under the Government Resources and Accounts Act (Northern Ireland) 2001. This report explains the background to my qualifications on the LSANI Account for the year ended 31 March 2024.
5. I have qualified my regularity opinion due to:
 - statistics produced by LSANI estimating that £0.6 million of overpayments and £1.5 million of underpayments of legal aid costs (£2.2 million in total¹) were made during the year due to official error (Paragraphs 7-11), along with £2.2 million of overpayments and £1.3 million of underpayments of legal aid costs (£3.5 million in total) were made during the year due to legal practitioner fraud and error (Paragraphs 12-19); and
 - limitation in the scope of my work as a result of insufficient evidence available to satisfy myself that material fraud and error by legal aid applicants (Paragraphs 20-28) did not exist within legal aid expenditure.

¹ Amounts don't total due to rounding.

Qualified audit opinions on irregular legal aid expenditure

6. There are a number of reasons why legal aid expenditure may not be applied for the purposes intended by the Assembly or conform to the authorities which govern them:
- Official error – where an error can be attributed to the actions or inactions of LSANI;
 - Legal practitioner fraud and error; and
 - Applicant fraud and error.

Official error

7. DfC's Standards Assurance Unit (SAU) tested a common sample² of 544 cases which had been selected by NISRA (Northern Ireland Statistics and Research Agency) statisticians. Each of these cases had a payment request from a practitioner authorised between the period January 2023 to December 2023, and were assessed whether they had been processed in accordance with legislation. This information has then been used to estimate the level of official error and practitioner fraud and error in eligible 2023-24 legal aid payments.
8. The results from this SAU work, as outlined in **Figure 1** below, shows a significant reduction in overpayments in 2023-24 due to official error, which has been offset by an increase in underpayments. LSANI's Information and Analysis Unit (IAU) report however does exercise caution when comparing results with prior years due to a number of methodological changes introduced in the measurement of official error in 2023 (in order to facilitate the common sampling approach). These included the migration from sampling 'closed' cases in 2022 (and prior years) to sampling in 2023 from any case³ that had a practitioner payment request (Report on Case) authorised for payment (paragraph 7).

² A sample that served the purpose for estimating both official error AND legal practitioner fraud and error. It is intended to reduce the overall cost of testing, avoid duplication of checks by the Agency and minimise the burden on practitioners to provide files and documentation. In addition, this approach is intended to result in more accurate estimates as any observed errors can be more precisely designated as official or practitioner.

³ Specific exclusions from the SAU common sample population apply such as the Court of Appeal, Supreme Court, Taxing Master and third-party provider cases.

Figure 1: Levels of official error in legal aid payments

	2023-24 £million	2022-23 £million	2021-22 £million	2020-21 £million	2019-20 £million
Legal aid expenditure	130.1	97.0	99.7	80.3	98.7
Legal aid utilisation	113.5	101.3	94.7	75.2	82.1
Estimated level of overpayments due to official error	0.6 ⁴	1.3	1.0	4.4	6.2
Estimated level of underpayments due to official error	1.5	1.2	0.9	1.2	2.1
Deemed errors ⁵	0.04	0.5	0.2	1.6	2.5
Number of cases selected for testing by SAU ⁶	544	756	911	695	893

Source: LSANI Annual Report and Accounts 2019-20 - 2023-24

Overpayments are considered irregular as the expenditure has not been applied in accordance with the purposes intended by the Assembly. Underpayments resulting from official error are also considered to be irregular as the transactions have not been processed in accordance with the applicable legislation. Deemed errors (as well as notional Additional Fee errors for 2023 only) are included within the over and under payments.

9. Therefore, in total the errors highlighted in **Figure 1** are considered to be incorrect and irregular. In relation to the types of error found, assessor error⁷ continues to account for the largest proportion of official error, including deemed errors, at 60.9 per cent⁸.
10. This year's results continue to show improvement and are the lowest official error rates⁹ within the last five years. I welcome the marked advances that have been made in relation to the level of overpayments due to official error and I am encouraged to note that both LSANI and SAU are continuing to explore how the common sample methodology can be enhanced to allow exceptionality case expenditure to be included in future SAU testing.

⁴ Trivial rounding.

⁵ Deemed errors - further information was required to reach a conclusion on the appropriateness of the payment. If this information subsequently becomes available an adjustment is made to the error calculation in advance of the end of year report.

⁶ The impact of Covid-19 resulted in DfC's SAU staff being redirected to front line benefits work in 2020-21, reducing the number of cases selected for testing. Lower case numbers have been tested in 2023-24 due to SAU moving to a 'common sample' approach for estimating both official error AND legal practitioner fraud and error.

⁷ Assessor errors are those identified in the work of LSANI staff during the assessment and payment of legal aid bills submitted.

⁸ Source: LSANI – Official and Practitioner Error and Fraud in Legal Aid: End of Year Report 2023, 31 May 2024.

⁹ The sum of extrapolated underpayments plus overpayments as a proportion of the eligible annual expenditure for the year in question.

11. I asked LSANI what actions it is taking to target the ongoing issue of assessor error and to sustain this overall official error rate at lower levels. The Agency told me that it is continuing to deliver training focused on known errors, whilst also improving its quality assurance procedures. On this latter point, enhanced quality assurance functionality in LAMS (LSANI's digital legal aid case management system) is scheduled to be delivered in 2024-25.

Legal practitioner fraud and error

12. The nature of the legal aid scheme, in relation to making payments directly to legal practitioners for services provided to applicants, creates difficulties for LSANI in determining whether the services were appropriately provided to the applicant, and in turn, if overpayments have been made.
13. To provide the Agency with some form of estimate of the fraud and error within this aspect of the legal aid expenditure population, the common sample referenced at paragraph 7 above was, for the first time, used by SAU to estimate these levels of legal practitioner fraud and error in 2023-24 which will provide the Agency with a baseline benchmark to monitor improvement against going forward. This is a welcome development.
14. The initial results from this SAU work, as outlined in **Figure 2** below, provide some concern and confirms that legal practitioner fraud and error is an issue that the Agency must now devote further time and resource to.

Figure 2: Levels of legal practitioner fraud and error in legal aid payments

	2023-24 £million
Legal aid expenditure	130.1
Legal aid utilisation	113.5
Estimated level of overpayments due to legal practitioner fraud and error	2.2
Estimated level of underpayments due to legal practitioner fraud and error	1.3
Non-compliance errors ¹⁰	0.9
Number of cases selected for testing by SAU	544

Source: LSANI Annual Report and Accounts 2023-24

¹⁰ Non-compliance errors arise when a requested file is not submitted for testing. In these cases, the monitoring officer cannot verify the accuracy of the claimed payment, and therefore the entire value of the claim is designated as practitioner error by SAU. In the event that a practitioner refuses to submit their sampled file(s), the payment is withheld by LSANI.

15. Therefore, in total the errors highlighted in **Figure 2** are considered to be incorrect and irregular. In relation to the types of practitioner error found, other than non-compliance, the main form of error related to additional fees¹¹ (29.5 per cent), the fee claim not being evidenced (24 per cent) and inability to verify the practitioners time (12.7 per cent). There is a clear theme emerging from this regarding inadequate paperwork, and it is evident therefore that work needs to be done to improve the documentation that legal practitioners hold on their files.
16. I am however encouraged that the recently established data analytics unit has been doing its own work on legal practitioner fraud and error to support LSANI in fraud detection. LSANI should reasonably expect a high level of accuracy in legal claims received from practitioners and therefore I will watch the progression of this work with interest.
17. As part of my wider considerations, I obtained a further update on the introduction of a Statutory Registration Scheme (SRS), which was provided for in 'The Access to Justice Order 2003'. Whilst not a counter-fraud initiative per se, I have reported before on the fact that such a scheme would provide LSANI with quality assurance powers that will enable it to inspect the documentation of legal aid practitioners and ensure publicly funded legal aid services provide value for money. The Agency told me that the Department is currently designing the scheme and drafting a code of practice in conjunction with stakeholders which takes account of existing regulatory body membership requirements.
18. The scheme ultimately however is still not in place some 20 years after the legislative framework was established which is undermining LSANI's ability to implement a robust quality assurance process, particularly in relation to legal practitioner fraud and error. This is disappointing in the context of these baseline SAU findings.
19. The Agency added that it will assist the legal profession to reduce practitioner fraud and error through guidance and training, whilst also continuing work on data analysis to support fraud detection and enhancing system controls to bring this fraud and error rate down sharply. It also advised that all insight provided by this practitioner fraud and error work will be used to inform the design and framework for the SRS. I will continue my watching brief on this situation.

¹¹ Additional Fees represent notional underpayments, identified by SAU at the point of testing. However, as these Additional Fees were processed in a timeframe in accordance with business arrangements and were subsequently paid correctly and entirely before the end of the 2023 timetable, they resulted in no actual underpayment or error to the legal aid fund.

Limitation in scope arising from insufficient evidence that material legal applicant fraud and error did not exist within legal aid expenditure.*Applicant fraud and error*

20. Means tested legal aid carries an inherent risk that legal aid is granted to individuals who are not eligible, for example if income details are misstated on the initial application, or if changes in financial circumstances that arise during the case are not reported by the applicant. LSANI therefore depends significantly upon third parties to verify the eligibility of legal aid applications.
21. In criminal cases, a judge decides upon eligibility following LSANI's checking as to whether an applicant is in receipt of the benefit they have stated, and the court's determination of the applicant's financial eligibility if not on a benefit. However, where there is doubt over the applicant's means or the merits of the case, the court has a legal obligation to resolve those doubts in favour of the applicant. Consequently, it is difficult to estimate how much of criminal legal aid is dependent upon an assessment of income or what benefits are being claimed. In civil cases however, solicitors and LSANI assess eligibility. The complexity of civil legal aid schemes gives further scope for fraud or error in assessing eligibility.
22. My main concerns in relation to eligibility are:
- there is an inherent level of fraud within the benefits system that could impact on legal aid payments, which applies to both civil and criminal legal aid; and
 - for applicants who are not in receipt of benefits, for example those employed or self-employed, assessments rely upon the declarations made in application forms with supporting documents such as payslips and accounts, in order to assess eligibility.
23. Applicant fraud and error testing was carried out by SAU for the first time in 2021 on cases that 'closed' during the period January 2021 to December 2021. On the basis of this work, IAU estimated that around £1.3 million of legal aid payments were made incorrectly in 2021-22 because of applicant fraud and error. However, LSANI were concerned that almost 57 per cent of this estimated error was due to non-compliance i.e., the applicants had either not engaged in the process at all, or they had not provided the evidence requested by SAU.
24. In response to this issue of non-compliance and to try to make the process more beneficial, the process was refined further for the 2022 measurement process. A newly designed Future Overpayment Prevention (FOP) methodology was introduced whereby SAU tested ongoing / 'live' cases. I consider that this FOP approach makes sense from a value for money perspective as it allows testing to focus on higher risk cases and for action to be taken where fraud and error is identified. It also expects to generate a higher compliance rate as 'live' applicants will be more likely to respond and meaningfully engage in the process.

25. LSANI used this measurement process for the first time in 2022-23 and being satisfied with the results, repeated the exercise for the purposes of the 2023-24 financial year. Based on a sample of 205 cases tested by SAU in 2023, they estimated that the FOP methodology had prevented an estimated £101,000 of future overpayments being paid in error. The majority of these estimated savings (£57,000) was due to applicants no longer being eligible for legal aid while non-compliance continues to be an issue, accounting for the remaining £44,000 (44 per cent).
26. The FOP assessment in 2023 also identified an estimated £56,000 of applicant error which had already been incurred. This included £41,000 that would not have been payable if assisted persons had reported changes in circumstances (rendering them no longer eligible for legal aid), and £16,000¹² due to non-compliance with the process. Whilst the sampled levels of applicant error due to non-compliance fell by an estimated £21,000 between 2022 and 2023, I asked LSANI how it intends to further encourage co-operation and compliance, and if it had recovered the amounts paid in error that were previously identified by the 2022 FOP process. It advised that guidance would continue to issue regularly to the legal profession to remind clients of their responsibility to declare changes to their circumstances and the Agency is currently in the process of recovery following revocation of legal aid certificates.
27. LSANI has invested considerable resources to develop a robust strategy to counter fraud and error. The fact that an estimated £101,000 of future overpayments has been prevented by the organisation is positive but an applicant error rate of 9.2 per cent (being the estimated applicant error identified as a proportion of the value of the cases tested by SAU) within a relatively small sample, continues to highlight that this is an important issue which could be worthy of further investment.
28. Unfortunately, the nature of the FOP process means that the reported figures cannot be statistically extrapolated, largely because it does not examine the whole population of legal aid payments but instead focuses on high-risk 'live' cases. While I agree that this is a sensible approach, it means that LSANI do not have a figure for the estimated level of applicant fraud and error for 2023-24, and instead have included the 2021-22 figure of £1.3 million in their accounts as an official baseline estimate. I have therefore limited the scope of my audit opinion on the regularity of expenditure in 2023-24 because I have been unable to obtain sufficient audit evidence to conclude that a material amount of legal aid expenditure has not been claimed fraudulently or in error by applicants.

¹² Amounts don't total due to rounding.

Conclusions

29. LSANI continues to work with DfC to estimate the levels of fraud and error related to legal aid and to develop an effective counter fraud strategy. In relation to official error, LSANI has estimated there to be £2.2 million of over and underpayments for legal aid, which was therefore irregular during 2023-24. This is a slight decrease on previous years, and going forward I hope this trend can be maintained.
30. For the first time in 2023-24, LSANI have been able to provide an estimate of the likely scale of overpayments or underpayments made to legal practitioners resulting from fraud and error, being £3.5 million of over and underpayments for legal aid, which was also therefore irregular during 2023-24.
31. No overall estimate of applicant of fraud and error in 2023-24 has been made available to me however, although, positively, the second year of the new FOP process has identified an estimated £56,000 of applicant error and prevented an estimated £101,000 of future overpayments being paid in error.



Dorinnia Carville
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

2 July 2024

