

Legal Services Agency Northern Ireland

Annual Report and Accounts

For the year ended 31 March 2021

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

on

8 July 2021



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PERFORMANCE REPORT

OVERVIEW

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

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

FOREWORD BY THE CHIEF EXECUTIVE

I am pleased to present the Annual Report and Accounts of the Agency for the financial year ended 31 March 2021.

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

During 2020-21 the Agency has actively pursued a programme of modernisation, revising and streamlining its operational procedures and performance. Amongst other work, LSA has focused on addressing the qualifications attached to the Accounts by the Comptroller and Auditor General (C&AG), and design of a more 'intelligent' forecasting model, reflecting demands on the Agency and the revision of Key Performance Indicators to drive priority delivery.

The Agency set five strategic objectives for 2020-21 and we have set out detailed commentary against those within our Performance Analysis. However when planning was being conducted for the year, the Agency could not have anticipated the scale of challenges for society and in turn the Agency that lay ahead. The emergence of the Covid-19 pandemic specifically resulted in unavailability of staff, the need to develop home working capacity and the need to increase the scope of LSA provision for interim payments in line with government aims of maintaining the sustainability of a vital sector of the economy and ensuring continuing access to justice for some of the most vulnerable in society.

FOREWORD BY THE CHIEF EXECUTIVE (CONTINUED)

The introduction of the Agency's Legal Aid Management System (LAMS) during 2019-20 made operation during the pandemic possible and it is widely recognised, particularly by the profession, that without it the Agency would have been ill equipped to support the activity of the courts and maintain the cashflow to legal practitioners in the remote working environment that has operated through much of the last year. The new system has also been fundamental to the Agency's ability to flex provision during the year and to address the qualifications to the Accounts in a structured manner.

The first lockdown came into force from 23 March 2020, but it was not until May 2020 that all Agency staff had access to laptops and the ability to fully conduct their roles outside the office. Office space had to be reconfigured in order to accommodate the requirements of social distancing which has meant a limited number of staff can be on site at any one time. Staff have moved to a mixed model of partial home and office working on a rotational basis and have been provided with any equipment required to establish suitable home workstations.

The Agency has worked hard to support its strategic objective of delivering legal aid and while the Agency was receiving reduced applications in the early months of 2020-21, due to furlough of practitioners and court closures, the Agency processed the applications for civil legal services which it had received and flexed its staff resources to maximise the payments which could be made to practitioners to provide timely financial support to the profession. Indeed while normal average monthly payments are under £7 million, in April and May 2020 the Agency made over £8 million of payments each month against fully completed cases. Although the total cash spend from the fund for 2020-21 is reduced relative to previous years, at £76 million, as budget cover came available in-year the Agency focused on driving payments (within the limitations of accuracy) to support the sustainability of legal practitioners. In March 2021 the Agency has made the highest monthly payments, since LAMS go-live in July 2019, processing and expending almost £9.1 million.

In response to the concerns of the profession over the risk of business failure, potentially arising from an abrupt end to payments against completed cases, the Agency, with the approval of the Minister, introduced an Interim Payment Scheme on 7 May 2020. The Scheme enabled payment in ongoing cases where a legal aid certificate had been granted more than three months previously and was able to be delivered quickly through the extension of existing LAMS functionality. It resulted in total payments of £1.186 million to 123 firms of solicitors and 84 barristers. While some practitioners took full advantage of the cashflow benefits it represented, the Scheme was not extended beyond the initial three months proposed due to lower than anticipated demand. The Agency has measures in place to ensure that interim payments made under the Interim Payment Scheme are recouped as and when the final bill is presented for payment.

The Agency's Accounts are audited by the NI Audit Office (NIAO) and the opinion of the Comptroller and Auditor General (C&AG) is qualified in respect of limitations in scope, i.e. evidence of the valuation of the provisions estimate and that material fraud and error by legal aid claimants and legal practitioners did not exist. His opinion is further qualified due to the irregularity of erroneous expenditure, as evidenced by under and over payments, which is outside the legislative authority to spend.

FOREWORD BY THE CHIEF EXECUTIVE (CONTINUED)

A substantial body of work has been undertaken during 2020-21 to address the provisions qualification. The provisions methodology has been revised to drive estimation of case numbers and average costs from LAMS which has to a large extent addressed the underlying concerns that led to the qualification. Work continues with the profession to address a body of inactive cases within LAMS and the conclusion of this work during 2021-22 will be fundamental in providing evidence to the C&AG in deciding if this part of the qualification can be removed.

Addressing the fraud and error qualification remains a key priority for the Agency but is a complex and multi-faceted objective. Fraud and error may arise from three sources: official, applicant and practitioner and different approaches are required to address each.

Testing of official error has been conducted by the Standards Assurance Unit (SAU) within the Department for Communities (DfC) under a Memorandum of Understanding (MoU). The first measure of official error was estimated at £8.296 million in respect of the 2019 calendar year. This was reported within the 2019-20 Accounts and acts as the baseline for Agency performance. Covid-19 demands resulted in delays in reporting official error work and hence understanding and implementing changes that would improve accuracy during 2020. While, as a result of changes to the sample, it is not possible to provide a direct comparator, the outturn for 2020 had an estimated value of £5.573 million.

All under or over payments identified from SAU work have been reviewed and, subject to Agency Payment Policy, payments to or recoups from suppliers are made as appropriate. While the Agency will rectify, where appropriate, any instances of which it is aware, the extrapolation of the error makes evident there are other material instances of which the Agency is unaware and hence unable to remedy.

The 2020 estimated rate of error is considered to be unacceptable but the analysis of individual error provides a feedback loop that has greatly increased transparency and the ability of the Agency to address underlying problems and improve efficiency. A range of actions have been taken or are planned to address the qualification and outlined in the Performance Summary within this Annual Report.

The Agency is also moving forward on the measurement of error from the remaining sources. Applicant Fraud and Error testing commenced for samples from January 2021 and in conjunction with SAU the methodology for Future Overpayment Prevention (FOP) to test applicant entitlement in live cases, is being finalised with a view to commencement in January 2022. The Agency began sampling in April and piloting the testing of practitioner fraud and error in May and it is anticipated this will become operational in autumn 2021.

The Operations Directorate have worked hard during the year to manage processing against significantly fluctuating receipts of applications and bills to focus on real time processing. Balancing competing demands was a challenge as maintaining performance targets within a reduced budget while undertaking 100% checking of payments for a period of 10 weeks, to highlight where errors were arising and identify training needs, created inevitable tensions.

FOREWORD BY THE CHIEF EXECUTIVE (CONTINUED)

The Agency identified the need for a dedicated training function to support its official error work and a recruitment exercise has resulted in two qualified trainers taking up posts with the Agency since year end, with a view to further professionalising functions. Their roles will include building robust training materials to be used for induction and refresher training.

The Agency is refining and developing guidance and training for staff to address all sources of error, including evidencing the application of discretion conferred by the legislation. While it takes time before the impact of change can be demonstrated, as the lifecycles of some cases can be across multiple years, the improvements the Agency is making on the back of this analysis provide increased assurance over the appropriate stewardship of public funds.

LSA is also looking at organisational capacity to address counter fraud and error activities and wider change management. An interim report commissioned in late 2019 from the Business Consultancy Service (BCS) within the Department of Finance (DoF), was published in May 2021 and contained recommendations in this regard which play into the Agency business cases for the requisite resources. This final report is awaited.

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

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

I thank the Agency Board for the support, oversight and guidance it provided to the Agency during this very challenging year. I wish to acknowledge the engagement of the Law Society and Bar Council in ensuring that despite the varying restrictions operating, the profession has worked with us to maintain the ability of individuals to access justice and to support the supplier base. The Operational Forum has facilitated proactive discussion on a joined up approach to tackle issues and will focus on a concerted effort to address fraud and error in the in-coming year.

The operational landscape continues to be challenging and the ambitions of the Agency to develop in capacity and efficiency remain undimmed but the Agency has proven itself capable of maintaining strong performance while improving our services and governance and a clear programme of works is planned for 2021-22 to these ends.

Paul Andrews
Chief Executive and Accounting Officer

STATEMENT OF PURPOSE AND ACTIVITIES

Who we are

The Agency has been established under the Legal Aid and Coroners' Courts Act (NI) 2014 (the Act) to administer the provision of publicly-funded legal aid.

The LSA is an Executive Agency of the Department of Justice (DoJ) and as such is committed to delivering the NI Executive's Draft Outcomes Framework 2021. The Agency contributes directly to Outcomes 3 and 7.

Outcome 3 - *'We have an equal and inclusive society where everyone is valued and treated with respect'* aims to tackle inequality and discrimination including addressing the legacy of the past and creating space for sharing between traditionally divided and new communities. The role of the Agency in supporting legacy inquests and wider legacy cases supports the outcome of delivering for those affected by the legacy of the Troubles, seeking to promote a shared and reconciled future for all, and recognising and valuing the achievements of the peace process to date.

Outcome 7 - *'Everyone feels safe - we all respect the law and each other'* seeks to tackle crime and ensure citizens have a safe community and feel respected. The Agency has a role in providing timely support to drive early resolution of cases and make the justice system more effective.

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 - <https://www.justice-ni.gov.uk/publications/director-legal-aid-casework-annual-reports>.

What we do

The Agency considers applications for civil legal services against the statutory financial and legal tests to determine whether an individual should receive funding. 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 services aid schemes while attaining value for money. Our functions include:

- considering applications for civil legal services in respect of advice, assistance, and representation and authorise independent legal representation for litigants;
- considering requests for civil and criminal authorities to include expert witnesses and interpreter/translator requests;
- assessing and making payments of bills received for civil and criminal legal aid;
- conducting internal reviews and redeterminations as necessary;
- operational delivery of interpreting services;
- supporting the independent appeals function;
- maintaining and developing systems, procedures and relationships which support all of our key activities and the wider strategic aims of the DoJ; and
- supporting the development and implementation of the legal aid reform programme.

Our vision

The Vision of the Agency is to transform client-focused publicly funded legal services through digital services to facilitate access to justice.

Our values

At all times we strive to:

- enable access to justice for the citizens of Northern Ireland;
- demonstrate consistency and impartiality;
- continually improve the quality of service delivery;
- ensure that public money and resources are used appropriately, effectively and efficiently;
- value and empower our people to build high performing teams; and
- be outwardly focused, work together and take responsibility.

Our strategic aim

Our aim is to support the justice system and to facilitate access to justice by delivering timely and high quality decisions and payments which secure value for money. As an Agency of the DoJ, the LSA operates under a Framework Document which sets out the arrangements for the effective governance, financing and operation of the Agency. A copy of the Framework Document can be found at www.lsan.gov.uk.

Our strategic objectives

The Agency's five strategic objectives for 2020-21 were to:

1. Deliver Legal Aid Services;
2. Meet the Needs of our Customer;
3. Develop and Deliver a Modernisation Programme;
4. Strengthen our Governance and Accountability; and
5. Support and Empower our People.

The Agency has developed its own Business Indicator which is "To continually improve the services provided by the Agency".

Equality of delivery of services

The Agency's services are open to all the citizens of Northern Ireland and the Agency seeks to promote equality of delivery of services to different groups in society, under the Equality Act 2010. Subject to statutory tests, the Agency's services may also be available to individuals who are not resident in Northern Ireland but are involved in litigation in this jurisdiction.

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

The Agency has refined guidance to staff during the year in order to enhance the consistency of assessments. On the basis that staff are required to use an element of discretion in the assessment of many cases, mandatory Unconsciousness Bias training was also rolled out for all staff during 2020-21.

The organisational structure

The work of the LSA in administering publicly funded legal services is taken forward under two Directorates: Operations and Corporate Services. The Directorates and the core work of the teams are described below and the structure of the Agency is set out at Annex B.

Operations directorate

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

Assessment of financial eligibility

The Financial Eligibility Unit (FEU) is the point of entry for anyone applying for civil legal services. FEU assesses all applications to ensure the applicant's financial means fall within the legal scope of eligibility and to determine whether the applicant may be required to make a contribution towards their legal costs. FEU requests financial information on the applicant and then conducts a data match with Department of Work and Pension systems which have a gateway to HM Revenue and Customs (HMRC) data, to confirm their benefit entitlement. 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.

Civil adjudication

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

Payments

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

The Payments function also oversees the Error Team who deal with the outworkings of SAU official error testing.

Operations directorate (continued)***Exceptionality and criminal authorities***

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

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

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

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

Appeals and reviews

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

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

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

Corporate services directorate

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

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

Counter fraud unit (CFU) - reviews referrals from within the Agency or from other bodies or individuals alleging abuse of the legal aid system. Historically this tends to deal with allegations about an assisted persons financial circumstances but also deals with referrals in relation to suppliers of publically funded legal services. CFU has been working with operations teams to support the development of tests for practitioner fraud and error, and undertaking analysis to increase the chances of detecting fraud and for investigating cases of reported potential fraud.

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

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

Finance team - the finance function is supplied to the Agency under a shared service arrangement from the Department's Financial Services Division. The team prepare forecasts of anticipated demand for services and the payments to be made for the operation of the LSA, and enables the Agency to meet its statutory obligations for financial management.

IT team - the IT function is also supplied as a shared service from the DoJ and the IT team are responsible for looking after the infrastructure and connectivity of LSA. In addition they have been responsible for liaising with the Digital Transformation Service within the DoF in leading the re-procurement of the new contract for support and development of LAMS.

LAMS support team - maintain and develop LAMS, liaising with the support contractor to ensure the effective operation of the system and the development of functionality to meet new or changing demands.

Shared services

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

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

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

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 2021 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 2021 shows a net liability of £147 million (2019-20: £146 million). This reflects the inclusion of liabilities for legal aid provisions falling due in future years, which are to be financed by drawings from the Northern Ireland Consolidated Fund. Such drawings will be from expenditure approved annually by the Northern Ireland Assembly, to meet the Net Cash Requirement of the DoJ which funds the Agency. Under the Government Resources and Accounts Act 2001, no money may be drawn from the Fund by the Department other than required for the service of the specified year or retained in excess of that need. There is no reason to believe that the future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of the Agency's financial statements for 2020-21.

The Agency's people

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

During the year the Agency has invested in technology to facilitate staff working from home and to support digital communications. The Agency aims to help keep staff connected, even remotely, facilitating digital meetings, encouraging regular team communications and undertaking Agency wide events. Access to on-line training has been promoted particularly to support the resilience and mental health of staff during the difficulties of lockdown.

In response to Covid-19 restrictions, NICS HR scaled back the majority of recruitment during the year meaning that the 20% of vacant posts within the Agency have remained fairly stable across the year with no means to fill.

The Agency promotes a culture where staff can reach their full potential and promote core Values and Behaviours of:

- Leadership - staff will act with integrity in all interactions and will be authentic, open and honest in relationships with colleagues and customers, demonstrating trustworthiness in the course of their work;
- Respect - staff will honour the principles of impartiality, equality and diversity, applying fairness to all decisions made;
- Valuing Our People - the Agency is committed to building trust; engagement and open communications; building high performing teams and empowerment of staff; encouraging growth and development of its staff; and appreciating, recognising and celebrating achievements; and
- Justice - the Agency will enable Access to Justice, provide a quality service and continually strive to improve its service delivery. We will respect the position of citizens and suppliers whilst protecting public funds.

Working with partners and providers

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

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

The Agency has been actively engaged in the following:

- stakeholder engagement with the Law Society and Bar Council monthly via the Operational Forum to maintain positive working relationships, ensure key information is exchanged on a timely basis, drive improvements in the submission of applications and bills through guidance and messaging, collaborate on measures to ensure that work to deal with the fraud and error qualification is understood and successfully communicated;
- Magistrates' and Family Courts working groups to ensure that the Agency supports the work of the Courts;
- interaction with the Enabling Access to Justice Division in DoJ to develop legal policy and deliver improvements in efficiency and effectiveness;
- interfacing with the Courts to resolve issues in particular cases or improve data sharing to address fraud and error;
- reform projects which impact on civil legal services or criminal legal aid;
- the Shadow Family Justice Board and the Shadow Civil Justice Council; and
- supporting problem solving justice pilots.

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

The Agency had also agreed Terms of Reference for a Change Forum with the profession which was to be initiated during 2020-21 to facilitate change negotiations between the Agency and the Profession. The first meeting scheduled in the last quarter of the year was postponed in light of a change freeze applied to the NI Direct contract under which LAMS operates but was rescheduled into 2021-22.

Key risks and issues

The Agency relies on a well-embedded risk management process designed to identify and prioritise the risks to the achievement of the Agency's objectives, to evaluate the likelihood of those risks occurring and to limit the impact should they materialise. The Agency sets its risk appetite in determining what level of risk it is willing to accept and hence what level of mitigation is required. Both the structure of risk appetite: Averse, Open or Hungry and the format of the risk register align to the approach adopted by the Department. Throughout 2020-21, the Agency has ensured that key and emerging risks have been clearly identified and actions identified and taken to develop mitigations to address those risks.

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

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

1. Benefits realisation - *there is a risk that the full extent of benefits from the Transformation Programme / Projects are not realised or are delayed due to lack of resources, inactivity or inability to progress legislation in a timely manner. As a result, enhancements to LAMS to facilitate operations, control and governance of the Legal Aid Fund may not be identified, or are delayed so minimising the potential realisation of benefits.*

The delivery of the anticipated benefits of the Transformation Programme continues to be pivotal to delivering cultural and structural change. The completion of the LAMS Gate 5 review and the related Post Project Evaluation were initiated during 2020-21 but due to Covid-19 were delayed into the first quarter of 2021-22. A change freeze was enforced by DoF in respect of LAMS and all NI Direct systems from November to February and while the conditions were eased in March 2021 to enable limited delivery it resulted in the Agency's capital underspend of £0.107 million. Work has been undertaken to draft the business case and specification for the re-procurement of the development and support contract for LAMS which will go out to tender and award during 2021.

2. Budget and resources - *the risk that under resourcing and workforce management issues, impact on the capacity and capability of the Agency to deliver core commitments, drive improvements against qualifications and expand the functionality of LAMS on time and to the appropriate standard.*

The Agency budget was reduced in 2020-21 in response to reduced activity in the Courts. However, during the year the Agency received additional funding to reflect the significant increase in the volume of bills received as court disposals increased. In the earlier part of the year while applications for the civil legal services and payment of bills were reduced, the Agency ensured it was delivering enhanced performance, including developing and deploying a Covid-19 Interim Payment Scheme and working with suppliers to resolve longstanding payment queries in order to maximise the payments that could be made within budget. The result was cash spend of £75.2 million for 2020-21 as against £82.1 million for 2019-20.

Key risks and issues (continued)

The Agency has received a flat cash settlement for 2021-22 and in-year monitoring round bids will be required to address underfunding. In addition the Agency has participated in a cross-justice recovery bid to estimate the funding requirements to address case backlogs over the two year period 2021-23.

In addition to limitations on funding, most routine recruitment has been suspended during the year due to Covid-19 and the Agency has been running with 20% vacancies, though substantive staff were supplemented by temporary promotions and recruitment agency staff. The capacity model of the Agency has been agreed and funded within the opening budget for 2021-22 but securing the requisite staff will be difficult.

3. Fraud and error - *there is a risk that inability to control the root causes of estimated fraud or error in the assessment of liabilities for work to be funded from legal aid will lead to the risk of regulatory breach and account misstatement. This is the risk of improper assessment of eligibility or payment liability leading to irregular disbursement of public funds, delay in the removal of qualifications from the Accounts and the risk of excessive error resulting in a qualification in both the Agency and Departmental Accounts.*

Fraud and error arises from three sources: official, applicant and practitioner and the risk is that the Agency has no measure of the causes and rates of error and hence cannot take action to drive down. The MoU with the SAU led to the establishment of the baseline level of official error of £8.296 million in 2019 and has been further extended in 2021-22 to address applicant fraud and error. The Agency is piloting the methodology for the testing of practitioner error and plans to implement this from autumn 2021.

The Agency has established an Error Team to react to the information derived from testing and provide a feedback loop to deliver corrective operational change.

PERFORMANCE SUMMARY AND FORWARD LOOK

Performance summary

This report covers the sixth year of operation of the Agency. The key performance issues can be summarised as follows, the Agency:

- continued to operate within the range of legislation which governs all its activities refining processes and desk instructions to improve performance and accuracy;
- processed payments within its funding allocation identifying and remedying issues which had the potential to delay the processing of payments;
- incorporated quality assurance checks into processing in order to improve accuracy and address processing in a timely manner leading to the establishment of more refined Key Performance Indicators;
- designed and implemented an Interim Payment Scheme (IPS) to assist in supporting the profession during the suppressed cashflows of the Covid-19 restrictions;
- supported planning for the introduction of legislative authority to launch a Statutory Registration Scheme, targeted to be passed by the Assembly by March 2022;
- extended the effective partnership working with the SAU who estimate the official fraud and error rate within the legal aid system, to implement applicant fraud and error measurement and in each case to identify and take appropriate remedial action to reduce the estimated rates; and
- supported the Department in the development and implementation of various reform initiatives.

Strategic Objectives

1. Deliver Legal Aid Services

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.

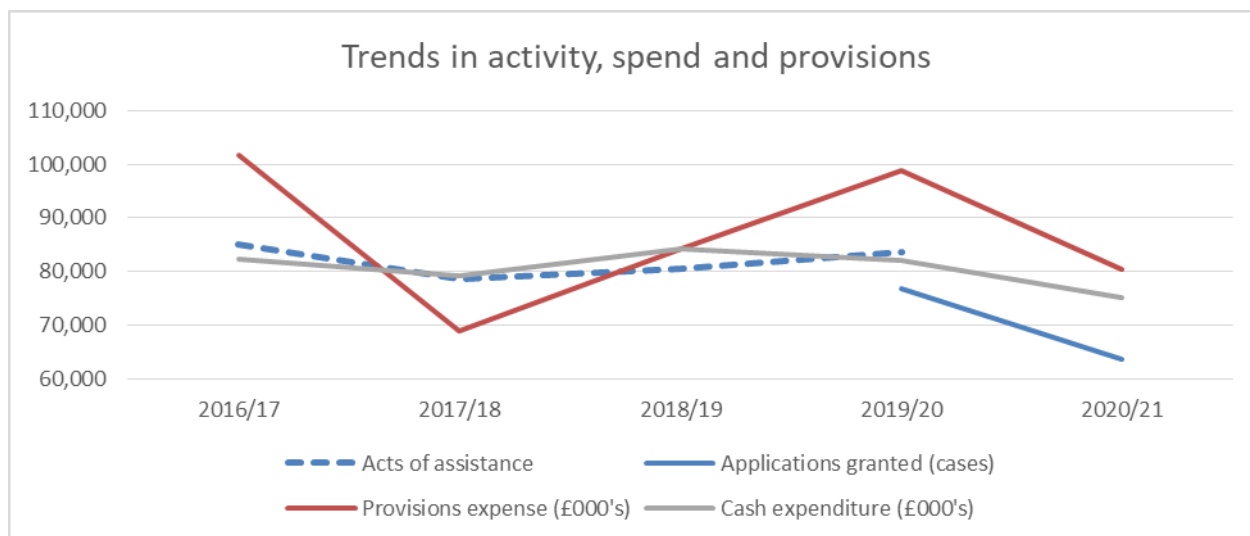
In addition, Note 12 also refers to 'Provisions utilised in the year' and this reflects the actual cash expenditure against cases in year.

The provisions balance may vary materially from year to year and with it the corresponding movement in the provisions expense. The provisions expense has fallen from £99 million in 2019-20 to £80 million in 2020-21 in response to reduced activity in the courts. However in recent years annual legal aid cash expenditure has remained relatively stable. In the four years previous the annual spend averaged £82 million and varied by +/- 3% annually year on year.

	2016-17	2017-18	2018-19	2019-20	2020-21
Acts of assistance	84,924	78,680	80,499	83,663	N/A
Applications granted (cases)	N/A	N/A	N/A	76,884	63,587
Provisions expense (£m)	101.6	68.8	84.3	98.7	80.3
Cash expenditure (£m) - termed 'provisions utilised in the year'	82.3	79.2	84.2	82.1	75.2
% Movement in cash expenditure (against average)	0.40%	(3.40%)	2.70%	0.20%	(8.30%)

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

1. Deliver Legal Aid Services (continued)



The Agency granted a total of 63,587 applications in 2020-21. This represents a decrease of 17.3% compared to the 76,884 applications granted in 2019-20, due to reduced activity in the courts in response to Covid-19 restrictions.

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). By year end the Agency was receiving applications in respect of the majority of case types at around 95% of pre-pandemic level. Applications in respect of Representation Lower cases, which would include the majority of family and domestic cases, were being received at a rate of approximately 110%. Detailed planning has been undertaken to estimate the potential Covid-19 backlogs in cases and the recovery efforts required over the period 2021-23 to return to the baseline position but additional funding would be required to deliver this objective.

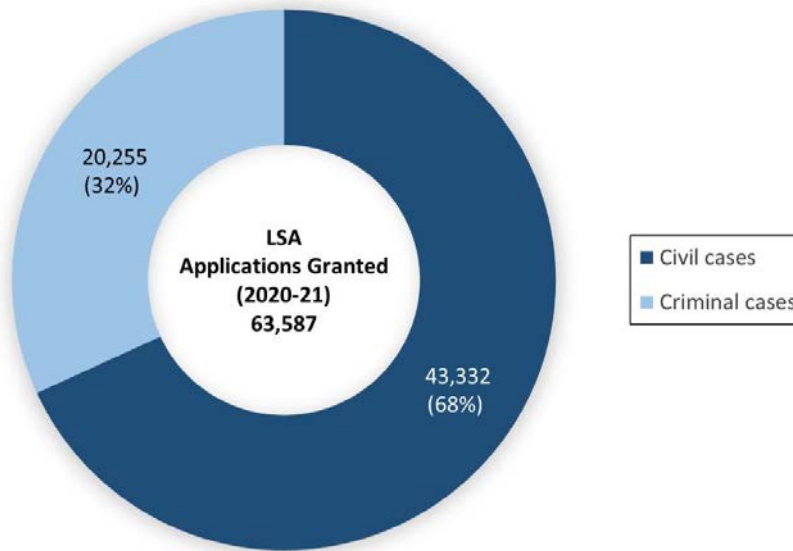
Due to court business being curtailed in the early months of the year the Agency concentrated on making payments within reduced time frames to maximise disbursements to the profession. In April and May 2020 the Agency made over £8 million of payments in each month compared to the average monthly payment of £6.8 million that would have been made over the previous four years.

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

Funding has been more variable over the year due to contingency planning at Departmental level but the Agency has continued to support the cashflow to the profession and in March 2021 LSA made the highest monthly payment, since LAMS go-live in July 2019, processing and expending £9.1 million.

1. Deliver Legal Aid Services (continued)

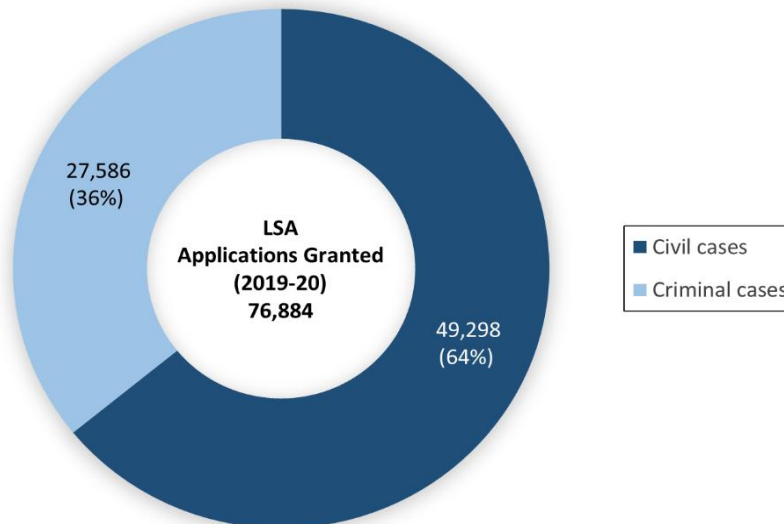
2020-21 Applications granted (cases)



Notes:

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

2019-20 Applications granted (cases)



Notes:

- Figures covering 2019-20 represent a transitional year and have been compiled by merging data from two separate case management systems. Accordingly, previous 2019-20 figures (Acts of Assistance) have been replaced with Applications Granted, to be reflective of the new (LAMS) business environment and comparable with 2020-21 figures.
- 2019-20 figures for civil legal aid incorporate Exceptional Funding since July 2019. While this information is held in LAMS, it was not previously available in Phoenix.
- Percentages have been rounded for presentational purposes.

1. Deliver Legal Aid Services (continued)

Covid-19

During 2020, due to the anticipated reduction of work in the courts, the Agency surrendered £14.7 million to central funds within the Department under June Monitoring. In total £12.2 million has been reallocated under subsequent monitoring rounds which will reduce the financial impacts on 2021-22. The Agency was also given permission by the Department to spend a further £1 million covered by underspends elsewhere in DoJ. In response to representations from the profession, LSA designed and introduced an Interim Payment Scheme on 7 May 2020 which incurred total spend of £1.186 million.

EU Exit

The UK's withdrawal from the EU did not require specific preparations within the Agency as there were no policy or priorities changes arising. Neither the transition period, which ended on 31 December 2020, nor the post transition period have materially impacted LSA operations. The only direct impact on the Agency was the removal of a specific legislative provision that provided a financial waiver for civil cases where applicants resident outside Northern Ireland sought legal aid to enable them to engage in litigation before the courts in Northern Ireland.

2. Meet the Needs of Our Customers

The Agency has reviewed the guidance notes to applicants in year in order to help clarify the terms of legal aid and the obligations that are placed on the assisted person when they accept an offer for legal aid. In particular this guidance explains the requirements of continuing financial eligibility. The Agency has also worked with the independent citizen's advice network, Advice NI, located across Northern Ireland, to ensure accessible and accurate guidance is available to all NI residents in respect of legal aid.

The Agency issued considerable additional guidance to the profession during 2020-21 with the aim of improving the quality of applications and practitioners' understanding of the requirements of legal aid and LAMS. The guidance also sought to support practitioners while operating under Covid restrictions.

Stakeholder engagement with the Law Society and Bar Council has been promoted via the monthly Operational Forum which aims to communicate key information and requisite changes in a timely manner, enhance understanding and positive working relationships, drive improvements in applications and processing and address fraud and error. The Agency sets the Agenda for the Forum in consultation with the profession and has developed the Forum into an active discussion and delivery vehicle where a common approach is negotiated.

The Terms of Reference for a Change Forum were agreed with the profession during the year but commencement was suspended due to a change freeze that DoF enforced on LAMS, as part of their management of the NI Direct contract. All systems supplied under this contract are being retendered and the Agency expects to have a new maintenance and support contract in place for LAMS by the end of 2021. The change of contract will result in further change freezes and the Change Forum will meet within these restrictions.

Covid-19 Interim Payment Scheme

The Agency introduced an Interim Payment Scheme on 7 May 2020 for a three month period in order to support the maintenance of a network of solicitors and barristers to assist individuals in seeking access to justice during the pandemic. The Scheme was in response to the concerns of the profession over the risk of business failure, potentially arising from an abrupt end to payments against completed cases given the significant reduction in court business. The Scheme enabled payment in ongoing cases where a legal aid certificate had been granted more than three months previously. In order to safeguard these funds, the interim fee was set as a proportion of the minimum fee payable in any case and when final payment requests are received, the interim payment is recouped against the total fee payable.

The Scheme was able to be designed and delivered in a timely manner as it was structured around the extension and tailoring of existing LAMS functionality. The Scheme was established initially for a period of three months with a maximum potential pay out of £16 million estimated and with the opportunity for a further three month extension if required. It operated successfully until 7 August but was not extended beyond the initial three months proposed due to lower than anticipated demand and resulted in total payments of £1.186 million to 123 firms of solicitors and 84 barristers.

2. Meet the Needs of Our Customers (continued)

The risk associated with the Scheme was the business failure of firms in receipt of interim payments meaning these could not be recouped but rather the case would have to move to a new practitioner and the work be re-performed and paid again. There have been no instances of this arising to date. The Agency developed reporting tools within the LAMS system to ensure the consistent recoupment of interim fees and at 31 March 2021 £0.425 million of interim fees had been recouped. The Post Project Evaluation (PPE) in respect of the Scheme will be submitted to DoF in the course of 2021 when sufficient cases which received an interim payment have proceeded to disposal.

It was concluded that the need was not there, as practitioners had taken advantage of other government supports and had concentrated on claiming all outstanding sums in respect of cases already completed. In addition, the Agency focused on resolving queried payment requests in order to pay against outstanding claims.

Priority and Emergency Applications

The Agency has refocused processes during the pandemic in order to ensure that applications, and particularly those on an emergency basis, were prioritised and timely decisions made to ensure legal aid certificates were issued to enable access to justice.

3. Develop and Deliver a Modernisation Programme

The Agency has addressed modernisation over a range of activities.

The Agency has undertaken a review of operational processes in order to streamline functions and eliminate duplication of effort and potential gaps in process. The Agency commissioned the BCS to assist in this work and the interim report published in May 2021 contained a series of recommendations of assistance to the Agency. The final report is awaited.

The demands of Covid-19 have driven changes in practice that have improved the flexibility and agility of the Agency's delivery. The Agency has moved all staff to laptop usage and the workforce can operate on a mixed model of office and home working. This has increased the resilience of the Agency and addressed business continuity challenges surrounding unavailability of staff and accommodation. During the Covid-19 period the Agency has flexed operational practices to take account of remote working. This included taking a pragmatic and enabling approach, temporarily amending processes such as accepting email confirmations as opposed to live signatures in order to ensure access to justice for the most vulnerable in priority cases.

The Agency has developed and refined a range of Key Performance Indicators (KPIs) to manage the assessment, adjudication and payment processes. The Agency has expanded the capabilities of the Qlik Sense reporting tool to develop a robust series of activity reports to assist teams in managing operations. These have been consolidated into a monthly reporting pack shared with operational staff and practitioners alike that demonstrates performance and compliance and is made available on the Agency's website. A review of KPIs has been conducted for 2021-22 and sensitivity analysis employed to flex targets in line with a reduced budget position.

The LAMS expenditure interface with Account NI has been revised in order to align expenditure, budgets and forecasting under a consistent reporting model based around the five levels of service. This will be implemented in 2021-22. A revised forecasting model has been developed during the year and will be employed for 2021-22 to help the Agency react to anticipated demands.

The Agency has been reviewing policies and revising appropriately. As detailed at Note 10 the recognition, impairment and write-off of debt have been considered under the development of an updated approach. The Debt team have also developed management reporting to the Senior Management Team (SMT) and Board and activity performance targets in order to drive timely actions.

4. Strengthen our Governance and Accountability

The Agency is continually reviewing and strengthening its governance and accountability in line with new and emerging demands.

During 2020-21 risk management has been reviewed in line with the October 2020 update to HM Government's Orange Book on Risk Management.

The Agency's Business Case guidance has also been updated in compliance with the DoF Better Business Cases NI guidance published in October 2020 which reflects the Five Case Model of the HMT 'Business Case Guidance for Projects' supplemented by Northern Ireland specific guidance.

A range of actions have also been targeted at addressing the qualifications to the Agency Accounts.

Fraud and error

The Agency Accounts are qualified in two respects due to fraud and error:

- the irregularity of erroneous expenditure which is outside the legislative authority to spend, as evidenced by under and over payments; and
- the limitations on scope, or evidence, that material fraud and error by legal aid applicants and legal practitioners did not exist.

The Agency established a strategic relationship with SAU in 2017 and during 2020 the calculation of the first measure of official error, in respect of the 2019 year, was concluded. While reported in the 2019-20 Accounts the results were not available until October 2020. Due to the peak in demands driven by the pandemic, SAU staff were required to suspend Agency work mid-year in favour of benefit processing for DfC. This delayed official error work and halted applicant testing, for which 2020 was to have been the first year.

The natural consequence has been delays in the conduct of 2020 testing however the Agency resource has now been ring-fenced to prevent staff reallocation, the sample size while still statistically robust was reduced and overtime was employed in order to tackle backlogs and enable a result within the normal 2020-21 year end reporting deadlines.

Error testing is conducted on the basis of sampling from calendar years and the measure of official error estimated for 2019 at £8.296 million, while considered unacceptable, has acted as the baseline for Agency performance. The analysis of individual error has provided a feedback loop that has greatly increased transparency and the scope for the Agency to address underlying problems and improve efficiency.

The Agency has put in place a series of interventions to remove or reduce their impact on the level of official error. These focus on the main causes of error identified in the Official Error Estimate Report 2019 of travel and mileage, attendance at court by verified Integrated Courts Operating System (ICOS) record, Taxing Master cases, assessor error and deemed errors.

4. Strengthen our Governance and Accountability (continued)

The assessor error includes the non-compliance with the statutory time limits for making a payment request, failure to verify additional information with the profession and more generally a failure to follow the legislative framework when processing payments.

The Agency has implemented the statutory time limit across all matters from October 2020. While this has had some impact on the 2020 level of official error, the impact will be more pronounced in the 2021 estimate. Issues relating to the verification of court attendances and hearings have been addressed through the move to 100% verification of ICOS court records against requests for payment and re-performance of the checks undertaken by SAU at pre-payment authorisation stage. Where discrepancies are found, additional checks are now carried out with the supplier to verify the initial information.

In addition to the issues identified through the work of SAU, Payment Services has moved to strengthen and expand the nature of internal quality assurance checks informed by 100% checking during November 2020 to mid-January 2021. All staff have a checking level linked to their performance which is reviewed with their manager on a monthly basis and revised as necessary to ensure issues are addressed quickly.

The Agency has engaged with the profession to identify areas where they feel additional support is needed. Guidance notes have been published which both support the profession and improve the quality of requests received. These have been well received and the better quality information being supplied allows for better quality assessments. This has reduced the number of queries being raised by SAU for additional information. This also has a positive impact on reducing deemed errors supporting the action already taken by the Agency since November 2019 to ensure all responses to SAU are made within the 28 day response time.

A key tenet of reducing the error rate is equipping staff to tackle fraud and error work confidently. To that end, the Agency has professionalised the counter fraud function enrolling key staff on accredited training. It has recruited two dedicated qualified trainers in March 2021 to embed understanding of legislation and due process within frontline services. A significant period of training is planned over the next few months to move to a multi-skilled team structure to manage the high volume of business at the same time as embedding a performance culture.

The Agency have continued to review and revise LAMS identifying “higher risk” fields and implementing solutions via LAMS to enhance control and to prevent, detect and disrupt fraud and error.

Implementation of the Business Consultancy Service Interim Report recommendations on addressing fraud and error produced in September 2020 are also well advanced and have been used to supplement the ongoing work to address the fraud and error qualification.

The Agency is also working with our policy and legislation colleagues to ensure there are appropriate directive controls in the future design of remuneration and financial eligibility to minimise exposure to fraud and error.

4. Strengthen our Governance and Accountability (continued)

While, as a result of changes to the sample, it is not possible to provide a direct comparator with the 2019 figures, the outturn for 2020 had an estimated value of £5.573 million. The Agency will continue to review recurring errors and will be refining guidance and providing further training to focus on the causes of official error.

The Agency has been developing an approach to piloting practitioner fraud and error on a 'test and learn' basis from September 2021 in conjunction with SAU and the profession and the resultant methodology is due to go live during 2022.

The MoU with SAU was extended for 2020-21 to address applicant fraud and further work is ongoing to develop a methodology for the roll-out of Future Overpayment Protection (FOP) which addresses ongoing cases. Applicant error testing has commenced for 2021 and the first results will be reflected in the 2021-22 Annual Report and Accounts. The Agency has been piloting practitioner fraud and error on a 'test and learn' basis from May 2021 and the resultant methodology is due to go live in autumn 2021. The Agency is reviewing a hierarchy of error reporting in order to avoid double counting and produce a consolidated fraud and error rate across all three strands of work.

The Agency established a Counter Fraud and Error Oversight Group and their inaugural meeting was held on 19 October 2020, with quarterly meetings held thereafter. This group is tasked with reviewing the Agency's fraud and error strategy and providing best practice advice. It includes representation from DfC, Group Internal Audit and Fraud Investigation Services (GIAFIS) within DoF, DoJ Financial Services Division, LSA Counter Fraud Unit and LSA SMT.

Action identified included:

- development of staff induction packs and training in respect of the ethical obligations on Agency staff and general fraud awareness;
- establishing legal gateways to the use of information to improve the ability to undertake financial assessments. This will enable sharing of DfC Searchlight 69 benefits information and access to HMRC Application Programming Interface (API) on tax credits etc.; and
- review of processes in order to develop a risk matrix for fraud.

The Agency is refining and developing guidance and training for staff to address all sources of error however stubborn areas remain where the underpinning legislation allows discretion and the ability to evidence consistency of application across assessors and cases can be problematic. The review of official error has confirmed the need for additional support for staff in order to drive increased accuracy and the Agency has resourced a dedicated training function. While it takes time before the impact of change can be demonstrated, as the life cycles of some cases can be multiple years, the improvements the Agency is making on the back of this analysis provide increased assurance over the appropriate stewardship of public funds.

4. Strengthen our Governance and Accountability (continued)

Provisions

The second source of qualification to the Agency Accounts is in respect of a lack of evidence of the provisions estimation. A substantial body of work has been undertaken during 2020-21 to address the provisions qualification. The former case management system, Phoenix, did not have a consistent methodology for closing cases and had 1.2 million 'open' cases, against which elaborate assumptions had to be built to identify the numbers of cases to be provided for (under 60,000). As cases could not be confirmed as concluded the average costs information also was not fully reliable.

The Agency initiated LAMS auto-closure functionality during 2020 and all fully paid cases are automatically closed by the system when the one month appeals window has lapsed from the date of payment. At the peak LAMS had approximately 142,199 open cases but since the commencement of auto-closure on 8 August 2020 and up until 31 March 2021, 106,718 have been closed by the system. Since 14 June 2019 until 31 March 2021 approximately 15,189 cases have been manually closed on LAMS. Approximately 19,766 migrated cases are inactive at 31 March 2021.

The Agency established a Data Management Project during 2020-21 to enhance data integrity and the focus has been on addressing those cases which migrated to LAMS at go-live, as they met migration rules, but have remained inactive since that date. Cases that did not in fact have a future liability may have appeared to meet migration rules because of the way they were recorded in Phoenix or because housekeeping work had not been completed consistently. Cases may also have migrated as they had been granted a legal aid certificate but did not proceed or settled with no call to the fund but practitioners failed to notify the Agency.

For these reasons a large number of cases that might be construed to have a potential future liability, upon further examination may not. While thousands of such cases have been addressed and closed by the project during the year, approximately 11,600 remaining cases have been identified at 31 March and excluded from provisions. The Agency is writing to practitioners in respect of these to ascertain the position in each. This work is painstaking and will lead to the establishment of a team to deal with the management of ongoing case inactivity.

Following the introduction of LAMS in July 2019, the employment of auto-closure functionality during 2020 and supporting work to cleanse data, the provisions methodology has been revised to drive estimation from LAMS for 2021-22. Case numbers are now based on open cases in LAMS and average costs calculated on the basis of fully paid closed cases in LAMS. These steps have to a large extent addressed the underlying concerns that led to the qualification of provisions. Some work continues to address a body of cases that met migration rules to be brought over onto LAMS but have remained inactive since. The Agency is working with the profession to address and either pay or, in the majority of instances, close these cases. The conclusion of this work during 2021-22 will be fundamental in providing evidence to the C&AG in deciding if this part of the qualification can be removed.

5. Support and Empower our People

The financial year commenced in lockdown status with the advice that where you could work from home you should work from home. The Agency, as a front line service, focused on responding to emergency demands and continuing to deliver the most critical services. On this basis some Agency staff, particularly within operational teams, were designated as Essential Workers to allow them to attend the office on a rotational basis.

The Agency introduced a range of measures to protect and support staff including reconfiguring office space: introducing diagonal seating, a one way entry and exit route and alternative evacuation procedures, in order to facilitate social distancing and manage the maximum number of staff who could be on site at any one time. Guidance on Working Safely in the Agency was issued to staff and regularly updated risk assessments undertaken and shared with Trade Unions and staff.

In light of the capability of LAMS, the Agency made the decision to move to a remote working model on the basis of laptop provision for all staff; however due to NICS wide demands it was in the region of 10 weeks before these could be secured in total. Thereafter it became possible for some staff to work from home entirely while other teams adopted a mixed model of partial home and office working on a rotational basis. Staff have been required to conduct assessments of their home work stations to identify any health and safety risks and equipment has been supplied to staff to address any issues.

The greatest asset the Agency has is our workforce and the Agency has focused on developing the capacity and capability to drive improved performance and in particular put together a credible and robustly independent means of estimating fraud and error.

The Operations Directorate has worked hard during the year to ensure it operates within targets. To address accuracy issues, the Agency introduced 100% checking of payments for a period of 10 weeks to highlight where errors were arising and identify training needs. This confirmed the need for a dedicated training function and a subsequent recruitment exercise has resulted in two qualified trainers taking up posts with the Agency since year end, with a view to further professionalising functions. Their roles will include building robust training materials to be used for induction and refresher training.

The Agency is also reviewing the capabilities of individual business areas with a view to ensuring staff have the requisite skills to enable high quality provision. In this spirit the Counter Fraud Team have increased the security clearance of staff to a standard Counter Terrorist Check (CTC) and require all staff at Executive Officer II and above to hold a formal Counter Fraud qualification such as the Accredited Counter Fraud Specialist (ACFS) course, which was undertaken by two staff in-year.

The Agency has confirmed the post LAMS capacity model and budget funding against it for 2021-22. Further staff requirements to support fraud and error work will be the subject of business cases.

5. Support and Empower our People (continued)

The principles of performance management have been mandated in the Agency during 2020-21. Compliance has historically been weaker in the Agency than required and this undermined staff development. Close monitoring has ensured that the Agency has met its obligations in year and that all staff have properly constructed personal performance agreements, development plans and constructive feedback.

The roll out of business planning at branch level during the year also helps staff to understand where their role sits within overall organisational objectives and increases cohesion of purpose.

Forward look

During 2021-22 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.

The main activities the Agency envisages delivering are:

- targeting services to support the operation of the Courts, as lockdown is eased in a measured way;
- ensuring the realisation of the benefits envisaged from the implementation of the Legal Aid Management System;
- working with the Department to introduce a Statutory Registration Scheme for all providers of publicly funded legal services when the legislation is in place;
- progress an agenda of strategic improvement across a number of discrete issues including the development and implementation of a communications and management information strategy which seeks to make more information publicly available; and
- establish the preliminary assessment of applicant and practitioner error rates within the legal aid system while putting in place remedial actions and strengthening its counter-fraud measures.

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

PERFORMANCE ANALYSIS

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

The Agency has continued to strive to deliver the commitments included in its 2020-21 Business Plan and the five Strategic Objectives (as below) established to drive the Agency forward.

The following sections summarise the Key Indicators and Performance Measurements for the Agency in 2020-21.

<i>Strategic Objective 1: Deliver Legal Aid Services</i>		
Outcome	Actions taken to achieve the overall Outcome	Progress at 31 March 2021
Applications		
Adjudicate on applications for civil legal services.	Non-Emergency Applications Process 80% of all properly completed non-emergency applications for legal aid representation in: <ul style="list-style-type: none"> • Higher Courts • Lower Courts • Exceptional Funding received from 1 April 2020 within 16 weeks of date of receipt.	Achieved: <ul style="list-style-type: none"> • Higher Courts 90.4% • Lower Courts 99.0% • Exceptional Funding 92.9%
	Emergency Applications Process 95% of all properly completed applications received from 1 April 2020 for emergency legal aid for representation in higher Courts within 48 hours from date of receipt.	Final outturn was 91.1%. This includes all emergency applications. It was not possible to measure only properly presented emergencies - so the performance includes those cases which had to be queried by adjudicators.

Strategic Objective 1: Deliver Legal Aid Services		
Outcome	Actions taken to achieve the overall Outcome	Progress at 31 March 2021
Payments		
Properly presented bills for payment are processed accurately and promptly in keeping with statutory requirements (from date of receipt).	Process 95% of standard fees which do not generate queries within 8 weeks of date of receipt.	Final year outturn of 83.0%. Monthly performance was consistently within the 8-week turnaround targets until early 2021. This followed a few months of high volume billing as the courts implemented their Covid-19 Recovery Plan, as well as restrictions on expenditure and a period of 100% checking across all payments services to identify and reduce common errors and improve accuracy.
	Non-Children Order claims - Process 75% of non-standard fees which do not generate queries within 16 weeks of date of receipt (non-Children Order claims).	Achieved at 99.2%.
	Children Order claims - Process 75% of non-standard fees which do not generate queries within 24 weeks of date of receipt. (Children Order claims).	Achieved at 97.4%.
	Process 95% of Taxed cases (excluding those cases involving statutory charge) which do not generate queries within 6 weeks of date of receipt.	Achieved at 97.8%.

Strategic Objective 2: Meet the Needs of our Customer		
Outcome	Actions taken to achieve the overall Outcome	Progress at 31 March 2021
Support DoJ in developing policy proposals.	Participating in all DoJ legal aid reform projects.	Achieved. The Agency fully participated in all relevant legal aid reform projects up to 31 March 2021, providing statistical data and operational input where required.
Implement new policy provisions or legislative changes.	Expert Witness Pilot. Supported policy development in a variety of projects including Family Fees, Consultation on Mediation, legal aid for Domestic Abuse, Magistrates and Crown Courts review, Registration Scheme.	Achieved - Pilot launched in January 2021. Ongoing.
Respond to FOI/AQ requests within agreed time limits.	100% of FOI / AQ requests answered within agreed time limits.	90.9% of FOI/AQ requests answered within agreed time limits.
Respond to complaints received and take corrective action accordingly.	100% of complaints acknowledged / dealt with within agreed time limits.	93% of complaints acknowledged / dealt with within agreed time limits.

Strategic Objective 3: Develop and Deliver a Modernisation Programme		
Outcome	Actions taken to achieve the overall Outcome	Progress at 31 March 2021
Undertake Benefits Realisation of the LAMS System.	Undertake a successful delivery review and Post Project Evaluation.	Partially achieved. The Potential Risk Assessment has been undertaken and the Gate has been commissioned. LSA are awaiting the identification of an assessment team and their specification of materials required.
Reduction in the official error rate of 3 percentage points.	The Agency has addressed all the error sources identified for 2019 and introduced 100% checking for a period of 10 weeks in year to identify further issues.	Achieved. The value of official error decreased from £8.296m to £5.573m. Delays in the receipt of error information in respect of 2019 and 2020 has meant reduced time in-year for the benefits of corrective action to impact.
Develop a revised suite of performance indicators.	Performance indicators to be considered in a post LAMS environment.	Achieved. The Agency has expanded and refined the Operational Dashboard during the year and this is now shared with the profession on a monthly basis. Key Performance Indicators (KPIs) have been adapted for LAMS processes and refined in light of real time operational information. Work will continue into 2021-22 to develop a suite of more focused performance measures representing the broader aims of the LSA.
Data cleansing routines within LAMS to become operational.	The Agency established a Data Management Project and commenced the Auto Close functionality for fully paid cases in 2020-21. At 1 April 2021 134,310 cases have been closed and the total number of open cases in LAMS was 78,553.	Partially achieved. The Agency is scoping the commencement of Inactivity Prompt functionality during 2021-22.
Support preparations for the Statutory Registration Scheme.	Prepare scope and guidance in line with draft legislation.	Achieved. The Agency has prepared as fully as possible in line with Departmental planning.
Develop an overarching Fraud Strategy.	The Agency has developed a Fraud and Error Action Plan against which monthly performance is being monitored.	Partially achieved. An overall strategy will be considered as the key components are more developed.

Strategic Objective 4: Strengthen our Governance and Accountability		
Outcome	Actions taken to achieve the overall Outcome	Progress at 31 March 2021
Timely preparation and submission of Annual Report and Accounts.	The Agency to contribute to and support Annual Report and Accounts production to DoJ and NI Audit Office timelines.	Achieved. LSA has met all requirements during 2020-21.
Recruitment of new Non-Executive Members (NEMs) during 2020-21.	The Agency to participate in DoJ competition.	Not achieved. The DoJ exercise has been postponed into 2021-22 and the current NEMs terms have been extended.
Revision of LSA Corporate Framework document.	LSA to liaise with DoJ to revise the Framework Document.	Partially achieved. LSA has redrafted the document and is liaising with DoJ to agree.
Introduction of Branch Risk Registers, Balanced Scorecards and Quarterly Stewardship Statements.	Training provided to Heads of Branch and templates designed rolled out to branches.	Achieved. Process operational during 2020-21.
Develop and embed the new approach to provisions reporting based on LAMs to underpin Financial Services Division (FSD) reporting.	New methodology to be drafted and implemented.	Achieved. FSD, supported by the Agency, has reviewed the provisions methodology during 2020-21 moving to a LAMS only basis for the first time. This has been implemented for year-end accounts as at 31 March 2021.
Develop and embed the new approach to forecasting to underpin FSD reporting.	New methodology to be drafted and implemented.	Achieved. FSD, supported by the Agency, has reviewed the forecasting methodology during 2020-21 and this has been implemented for 2021-22.

Strategic Objective 4: Strengthen our Governance and Accountability		
Outcome	Actions taken to achieve the overall Outcome	Progress at 31 March 2021
Implement systems to detect and measure the extent of fraud and error in the legal aid system.	LSA to work with the SAU within DfC to develop the measurement of fraud and error under an agreed MoU.	<p>Partially achieved.</p> <p>Significant progress has been made, working with SAU to implement fraud and error measurement. LSA has developed a Fraud Action Plan. A baseline official error rate was determined in respect of 2019 and the 2020 rate measured against it showing a £2.7m reduction.</p> <p>The applicant fraud and error testing methodology has been finalised and 2020 testing began but had to be delayed due to the implications of Covid-19 and is now targeted to commence for 2021.</p> <p>Methodologies in respect of Future Overpayment Prevention (FOP) and practitioner fraud and error are under development. Sampling and testing for FOP was due to commence in January 2021 but has been delayed due to inability to recruit staff during the Covid-19 pandemic period; it is now targeted for January 2022. The Agency has been developing an approach to piloting practitioner fraud and error on a 'test and learn' basis from September 2021 in conjunction with SAU and the profession and the resultant methodology is due to go live in January 2022.</p>
Further align our Debt Management Strategy with that of the NICS.	Develop a Debt Management Improvement Plan.	<p>Achieved.</p> <p>The Agency has drafted a Debt Management Improvement Plan and monitored delivery quarterly during 2020-21. The planned actions around the benchmarking of processes, the production of guidance manuals, the development of a new impairment approach and the development of monthly management reporting have all been met.</p>

Strategic Objective 5: Support and Empower our People		
Outcome	Actions taken to achieve the overall Outcome	Progress at 31 March 2021
Develop performance management to enable staff to reach their potential.	<p>To ensure compliance with the NICS performance management system:</p> <ul style="list-style-type: none"> • 90% of 2019-20 End of Year reviews by 30 April 2020; • 90% 2020-21 PPA by 30 April 2020; and • 90% In-year Reviews by 31 October 2020. 	<p>Not achieved.</p> <p>End of Year reviews by 30 April 2020: LSA: 62.4% NICS: 17.4%.</p> <p>PPA by 30 April 2020: LSA: 43.4% NICS: 4%.</p> <p>In-year Reviews by 31 October 2020: LSA: 83.6% NICS: 42.4%.</p> <p>While LSA did not meet the NICS targets the impact of Covid-19 and staff absent from the office without remote access was the determining factor. In each case the NICS wide comparator has been provided to give context to LSA performance.</p>
Develop a Corporate Training Plan for the Agency.	Development and implementation of a Corporate Training Plan for the Agency.	<p>Achieved.</p> <p>The Agency developed and implemented a Corporate Training plan which enhanced cross skilling for staff and provision of line of business training.</p>
Enhance the staff engagement profile of the Agency.	Development of a staff engagement strategy.	<p>Partially achieved.</p> <p>LSA is represented on the DoJ Staff Engagement Forum and has attended all the meetings held this year.</p> <p>The hierarchy misapplied to the NICS People Survey did not allow for Agency specific answers but has been adjusted for future exercises. LSA planned to set up a communication forum to develop a suite of staff attitude measures but this work has stalled due to Covid-19.</p>
Build IT literacy amongst staff particularly in understanding the use of LAMS and performance management.	Build staff expertise and knowledge in Qlik Sense.	<p>Partially achieved.</p> <p>A change freeze to LAMS during the year prevent LSA in securing the additional licences required. An order has been placed for 20 additional licenses pre year end and training will be provided in 2021-22.</p>

Financial review

The Agency's financial statements for 2020-21 are compared to the two previous financial year in the table below:

Statement of Comprehensive Net Expenditure

	2020-21 £000	2019-20 £000	2018-19 £000
Total operating income	(2,500)	(1,852)	(2,632)
Staff costs	5,746	5,612	4,814
Purchase of goods and services	(2,586)	3,671	4,010
Depreciation and amortisation charges	1,312	914	15
Provision expense	80,253	99,462	84,330
Grants	10	21	21
Total operating expenditure	84,735	109,680	93,190
Net expenditure for the year	82,235	107,828	90,558

Staff costs can be analysed further as follows:

	2020-21 £000	2019-20 £000	2018-19 £000
Wages and salaries	4,239	4,193	3,804
Social security costs	388	373	322
Other pension costs	1,119	1,046	688
Staff costs	5,746	5,612	4,814

Financial position

The total net liabilities of the Agency at 31 March 2020 were £145.3m (2019-20: £146.1m).

Cash flow

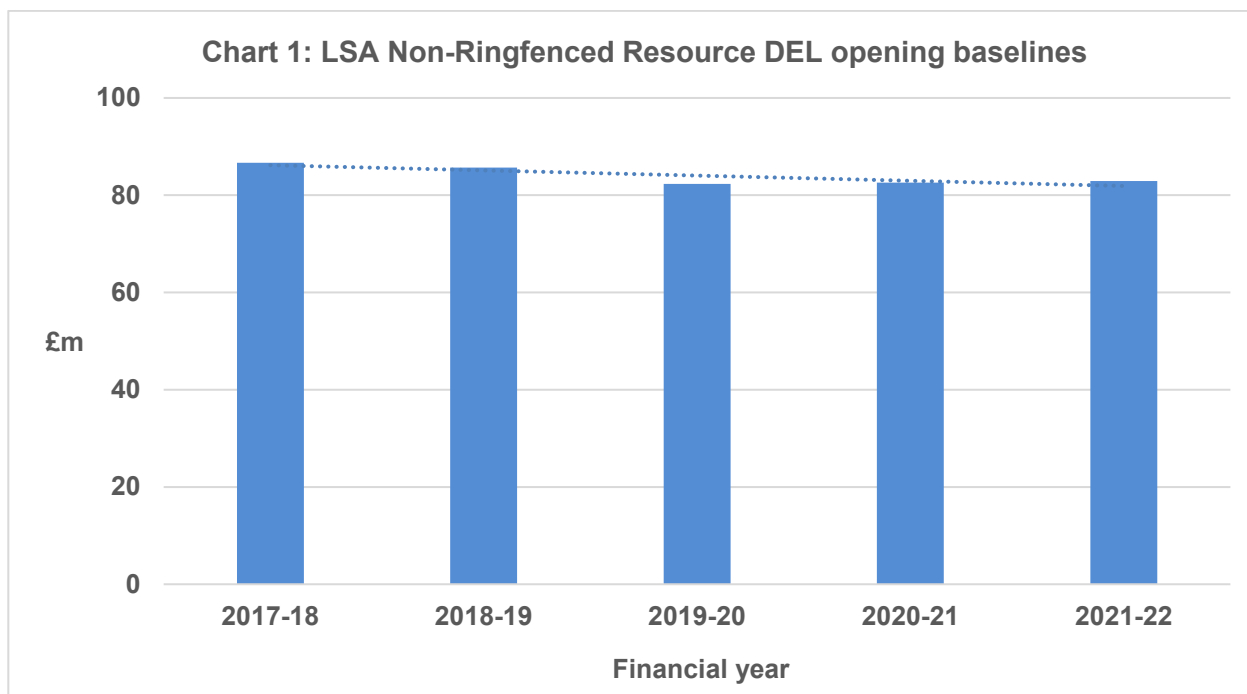
As detailed in the Statement of Cash Flows, the Agency's Net Assembly draw down in 2020-21 was £82.4m (2019-20: £89.4m) and the net decrease in cash and cash equivalents in the year was £0.5m (2019-20: an increase of £1.0m).

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 2017-18 to 2021-22. This budget pays for programme delivery and running costs excluding non-cash charges for depreciation and impairment of assets.



2020-21 financial year

On 31 March 2020, the Finance Minister set out the 2020-21 budgets for Northern Ireland departments which have been agreed by the Executive.

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

- a flat cash allocation (2019-20 opening baseline);
- £29.7m of additional security funding for the PSNI was provided from the 'Fresh Start' Agreement;
- £22.5m was provided towards pressures identified by the Department;
- £5.0m contribution towards Legacy costs; and
- £10.7m of funding for EU Exit costs.

In 2020-21 the Legal Services Agency received a flat cash allocation.

Long-term expenditure trends (continued)

2021-22 financial year

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

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

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

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

Auditors

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland ("C&AG"), who heads the Northern Ireland Audit Office (NIAO) and is appointed by statute and reports to the Assembly. The C&AG and his staff are wholly independent of the Agency. The notional fee for the audit of the 2020-21 financial statements is £73,000 (2019-20: £68,000).

The C&AG may also undertake other statutory activities that are not related to the audit of the Agency's financial statements, such as Value for Money (VFM) reports. No VFM reports on the Agency were undertaken during 2020-21.

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 93.5% (2019-20: 83.6%) of invoices paid to suppliers within 10 working days following receipt of a properly rendered invoice. The Agency achieved an average of 98.1% (2019-20: 90.2%) of invoices paid to suppliers within 30 calendar days following receipt of a properly rendered invoice.

Health and safety

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

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

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

Environmental and sustainability initiatives

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

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

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

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

Social and community issues

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

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

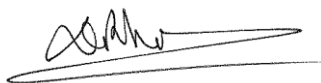
- practitioner familiarisation with LAMS;
- preparation of documentation to assist the understanding of the assisted person as to their obligations when accepting legal aid; and
- improved debt collection arrangements.

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

Human rights

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

PERFORMANCE REPORT



Paul Andrews
Chief Executive and Accounting Officer
30 June 2021

ACCOUNTABILITY REPORT

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

i - Corporate Governance Report

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

The Corporate Governance Report includes:

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

ii - Remuneration and Staff Report

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

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

iii - Assembly Accountability and Audit Report

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

- Assembly accountability disclosures; and
- Certificate and Report of the Comptroller and Auditor General to the 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 at 31 March 2021 was as follows:

Position	Member
Chief Executive	Paul Andrews
Director of Operations	Mandy McKay
Director of Corporate Services*	Nuala McAuley
Non-Executive Member	Allen McCartney
Non-Executive Member	Tom Burgess

** Kerry McGill was appointed as the new Director of Corporate Services, replacing Nuala McAuley, with effect from 15 June 2021.*

In addition a senior representative from the DoJ attends Board meetings as a Departmental observer.

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

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

The Board (continued)

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

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

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

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

As an Agency of the DoJ, the Agency operates under a Corporate Framework. The Framework Document sets out the arrangements for the effective governance, financing and operation of LSA. A copy of the Framework Document can be found at www.lsan.gov.uk.

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 bi-annually in respect of them. Access to the Register of Interests may be gained by contacting enquiries@lsani.gov.uk. There were no disclosures necessary in respect of related party transactions between Board Members and the Agency as set out at Note 17 in the Accounts.

Information assurance

There were no incidents of loss of information assets or personal data during 2020-21 which required to be reported to the Information Commissioner's Office.

Whistleblowing

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

Complaints

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

There were 14 complaints recorded by the Agency during 2020-21 (in 2019-20 there were 34), with an additional stage 2 complaint carried forward from the previous year. These were mainly concerned with payments and responses to messages on LAMS. Of these, 14 were closed in 2020-21.

Complaints can be made to:

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

Telephone: 028 9040 8888

E-mail: enquiries@lsani.gov.uk

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

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

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.

Anti-corruption and anti-bribery (continued)

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

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

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

During the period 1 April 2020 to 31 March 2021, LSA received 231 referrals (2019-20: 364) which were investigated for fraud offences. Of these referrals 167 investigations (2019-20: 338) were completed and cases closed due to insufficient evidence for LSA to pursue a criminal investigation via the Police. The reduction of 133 cases from 2019-20 to 2020-21 is due mainly to the suspension of investigations by Benefit Security Division (part of the Department for Communities) and limited referrals during the Covid-19 pandemic.

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
2020-21	105	35	25	7	28	26	5	231
2019-20	223	48	23	4	35	27	4	364

Of the 64 cases outstanding at 31 March 2021, 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 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

2020-21 has been a further challenging year for delivery within LSA. We have been impressed with the ability of the Agency to maintain business continuity in the midst of the loss of staffing and, in one instance, accommodation for three days, due to the Covid-19 pandemic. The pandemic has also proved the high degree of resilience LSA has developed. In this context LSA has not only maintained delivery, using the opportunity of reduced in-coming workloads to tackle backlogs but has also delivered operational and systemic improvements. As Non-Executive Members of the Agency Board, we have had full oversight and input to the work of the LSA, and its business planning process and risk analysis.

Our role is to provide constructive but robust challenge to the SMT within the Agency and to support that team in driving forward necessary changes. Those dual functions have also extended to our interaction with the Agency's HR partners to address concerns about under staffing and the limitations on the ability of LSA to recruit in a timely manner or indeed at all. The Board has examined the potential role of home working as part of considering sustainable staffing for the future.

At our request, there has been more emphasis paid to the issue of cyber security with its importance being reflected appropriately on the Agency's risk register, additional guidance issued to staff and further clarity being sought from the Department in respect of the responsibilities of the Agency to address the issue within a shared service environment.

We also used our independent perspective to support those whom legal aid is designed to protect, and whose representation was funded by the public purse. In particular, we have encouraged a transparent approach through regular updates to the Bar and Law Society on the performance of the Agency. We also continued to challenge constructively all financial aspects of the Agency's work to ensure the demand led aspects of its work were sufficiently resourced and have highlighted our concerns regarding the budgetary pressures the Agency has had to deal with during 2020-21 and is facing for the year ahead. The ability of the Agency to plan strategically is limited when not in receipt of a sustainable budget.

The qualifications to the accounts in respect of fraud and error and provisions, were a matter of Board scrutiny throughout the year. The measure of official error in respect of the 2019 year provides the Agency with a benchmark against which to measure future performance and provides substantive transparency on the source and extent of errors. While the official error rate of £8.296 million was disappointingly high it nonetheless marks a sea change for the Agency on evidencing improvements against the qualification.

The Board also closely monitored the work undertaken to revise the methodology for valuing the provision to the accounts. This has moved to a LAMS basis for 2020-21 so addressing many of issues which led to the NIAO's qualification of the accounts.

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

NON-EXECUTIVE MEMBERS' REPORT (CONTINUED)

Agency Board

The Agency Board met 11 times during the year with full attendance from all members, albeit remotely on some occasions. Detailed discussions have focused on the bedding in of the post LAMS operational model and how to deliver change in this environment. The SMT established in 2019-20 has become more cohesive over the past year and developed momentum in the programme of change set out for the year. Our thanks are due to Mandy McKay and Nuala McAuley for the strength and rigour they both have brought to bear on the work of LSA.

During 2020-21, it is significant to note that nearly 64,000 acts of assistance were dealt with, and an outturn position of more than £75 million in payments was achieved despite the reduced activity in the courts, restrictions on systems access brought about in the early part of the year and budget restrictions in the later part. The introduction of an Interim Payment Scheme between May and August 2020 not only enabled £1.186 million of spend to be made but more importantly represented an advanced cashflow to the profession.

We have continued to scrutinise and, where appropriate, challenge Agency planning and governance which is embraced well by the executive members of the Board and there is effective communication on all key issues. As Non-Executive Members, we have been aware of and appreciated the commitment from staff at all grades across the organisation to delivering high quality work in challenging and under resourced circumstances.

The focus of the Assembly in the past year has been on managing the response to the Covid-19 pandemic but the Agency continues to work with policy colleagues in the wider Department to bring forward the reforms necessary to deliver some important improvement outcomes. The implementation of a Statutory Registration Scheme remains one of the most fundamental to the Agency and planning continues in anticipation that it will come into statute by March 2022.

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, Peter Toogood (a Senior Civil Servant in the Department of Health) It met on four occasions this year and received ongoing reports from internal and external audit colleagues, counter fraud activity updates, finance and operational reports. ARC also undertook regular scrutiny of the Agency's Risk Register which was reviewed and updated throughout the year, particularly in the context of the changing transformation environment. ARC has had a particular focus on LSA's Covid-19 response and cyber security.

ARC continued to monitor progress against the qualifications to the accounts.

The measure of 2019 official error and the underlying sources highlights the actions and controls required to reduce or eliminate the individual causes. This process is iterative and will require not only corrective action but the opportunity to assess the impact and revise if further remedy is needed. The ARC will continue to monitor this work over time and scrutinise applicant and practitioner measurements as they come on line.

The revised methodology for provisions now addresses many of the concerns of the NIAO. The outworkings of the data management project during 2021-22 are anticipated to eliminate those remaining. The ARC will liaise with the NIAO in the resolution of the issue.

The ARC kept in touch with best practice both nationally, and also by participating in discussions within DoJ. The Committee reviews all new financial policy at each meeting to assure itself these are reflected appropriately in the reporting and management of the LSA.

Conclusion

Overall this has been a very challenging but successful year for the Agency. The future operating model is ambitious but progress has been substantial against it in this year.

We must congratulate all involved in this year's performance on a job well done, whilst acknowledging that there is always more required. We see a strong commitment to driving continuous improvement in future years and will continue to work with the SMT and staff to deliver for the benefit of users of publicly funded legal services.

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.

3. Governance framework (continued)

The Board

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

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

The emphasis for the Board in this period has been:

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

Attendance by members is shown below for the 11 meetings of the Agency Board during 2020-21:

Position	Member	Attendance
Chief Executive	Paul Andrews	11/11
Director of Operations	Mandy McKay	11/11
Director of Corporate Services	Nuala McAuley	11/11
Non-Executive Member	Allen McCartney	11/11
Non-Executive Member	Tom Burgess	11/11

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 4 meetings of the Audit and Risk Committee held during 2020-21:

Position	Member	Attendance
Non-Executive Member (Chair)	Allen McCartney	4/4
Non-Executive Member	Tom Burgess	4/4
Independent Member	Peter Toogood - Senior Civil Servant in the Department of Health	4/4

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

4. Risk management and internal control

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

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

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

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

5. Review of effectiveness of the governance framework

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

Internal Audit reporting

Internal Audit services for LSA are provided by DoF's Group Internal Audit and Fraud Investigation Service. Internal Audit staff from DoF are assigned to deliver services to the DoJ Core Department and its agencies. Internal audit services represent an independent and objective appraisal of the Agency's governance, risk management and internal control system. The internal audit opinion is based on internal audit activity carried out during 2020-21 and cumulative assurances derived from internal audit activity during the previous two years.

The overall internal audit opinion for 2020-21 concluded that the arrangements within LSA are satisfactory.

There were five 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. In particular the Agency benefited from the review of Internal Audit while developing revised forecasting and provisions methodologies and follow up audits are planned in these areas during 2021-22 to review each in action.

Area	Opinion 2020-21
Criminal and Civil Legal Aid	Satisfactory
Appeals	Satisfactory
Certificates of Exceptionality (Civil)	Satisfactory
Provisions	Satisfactory
Forecasting	Satisfactory

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

A one year plan will be developed for LSA for 2021-22 in light of the current Covid-19 pandemic. The Audit Strategy methodology will be subject to a full review during 2021-22 by the Group HIA and this will inform the development of future audit strategies.

6. Significant internal control issues

Northern Ireland Audit Office - account qualifications

The C&AG qualified the 2020-21 financial statements of LSA in respect of:

- the level of estimated official error in legal aid payments and a limitation in scope on the regularity of legal aid payments in the period - due to the Agency being unable to provide sufficient evidence to assure NIAO that material fraud and error by legal aid claimants and legal practitioners did not exist within eligibility assessments of legal aid applicants and in expenditure from legal aid funds; and
- a limitation in scope regarding the true and fair view of the balance of provisions for legal aid liabilities stated in the Statement of Financial Position - LSA was unable to provide sufficient evidence to support the assumptions and judgements used in the determination of the year end provision for legal aid liabilities and the resulting adjustments required to the annual legal aid expenditure.

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

Regularity of expenditure

The Agency has continued with a range of initiatives to address this qualification.

A MoU was established, from April 2017, with the SAU within DfC, to measure official error rates. 2019 represents the first full year of testing under the agreed methodology and will act as a benchmark for future years. The outcomes for 2019 and 2020 calendar years are set out below:

2020	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	£4,356,129	£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

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

6. Significant internal control issues (continued)

For 2020, a sample of 695 cases (2019: 893) 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 £5,573,318 over the review period (2019: £8,296,498). Looking at the confidence intervals, the true amount paid incorrectly is likely to lie within the range £2,067,580 to £9,079,055 (2019: £6,575,225 to £10,017,771).

The overall amount estimated to have been paid incorrectly due to official error is £5,573,318 (2019: £8,296,498); this is the combination of the estimated value of overpayments, £4,356,129 (2019: £6,196,971) and that of underpayments, £1,217,189 (2019: £2,099,527). 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 £3,138,940 (2019: £4,097,444).

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 £3,999,730 (£2,458,145 to £5,541,316) over the review period (2019: £5,761,904 (£4,256,774 to £7,267,035)).

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

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

The methodology for addressing applicant fraud and error, through home visits to Assisted Persons, was implemented during 2019-20. However this work had to cease due to the Covid-19 restrictions and recommenced for samples drawn from January 2021, delivered on a remote basis. LSA review the ongoing financial eligibility of individuals who remain in receipt of civil legal aid and SAU will commence testing in live cases from January 2022. This work is termed Future Overpayment Prevention (FOP).

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

6. Significant internal control issues (continued)

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

Work has also progressed on developing practitioner fraud and error testing with a view to implementation in autumn 2021.

Provisions

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

The LAMS based methodology has been refined during 2020-21 and also reflects recommendations arising from a review by internal audit. A body of work will be conducted during 2021-22 to address inactive migrated cases and successful completion will be fundamental in providing evidence to the C&AG in deciding if this part of the qualification can be removed.

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 updates the PAC in writing on a six monthly basis with a progress update against recommendations. On 11 March 2021, the LSA Chief Executive and Director of Operations attended the Justice Committee to provide oral evidence on the Agency's work programme to address the NIAO qualifications. The Committee were provided with an update on progress made to date to address the audit qualifications and embed a performance culture to drive up our accuracy rate. This was an opportunity to fully explain the causes of error focusing on changes to legislation, revised policies and processes and behaviours of staff and the profession, the actions being taken to address them and the journey that the Agency is on to have the qualification removed. The Agency committed to providing periodic updates to the Committee on progress and the Committee requested copies of the Final BCS Report and Official Error Estimate Report 2020 when available.

7. Budget position

The Assembly passed the Budget Act (Northern Ireland) 2021 in March 2021 which authorised the cash and use of resources for all departments for the 2020-21 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2021 also authorised a Vote on Account to authorise departments' access to cash and use of resources for the early months of the 2021-22 financial year. This will be followed by the 2021-22 Main Estimates and the associated Budget (No. 2) Bill before the summer recess which will authorise the cash and resource balance to complete for the remainder of 2021-22 based on the Executive's 2021-22 Final Budget.

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 2020-21, which provides a satisfactory assurance rating in relation to internal control, risk management and corporate governance for the period.

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

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

Remuneration policy

The pay remit for the Northern Ireland (NI) public sector, including senior civil servants (SCS), is approved by the Minister of Finance. The Minister has set the 2020-21 NI public sector pay policy (September 2020) in line with the overarching HMT parameters. Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS staff, including SCS, for 2020-21 has been finalised but not yet paid.

The pay of SCS is based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance.

Staff at Grade 6 and below fall within the pay settlement provided by the NICS Comprehensive Pay and Grading Review.

Service contracts

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

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

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

Following an open competition the Non-Executive Member (NEM), Allen McCartney was appointed by the DoJ on 19 June 2014, for an initial period of three years, with the option to extend the appointments by mutual consent. Tom Burgess was also appointed from 18 June 2019, initially to 30 September 2020.

In light of Covid-19 restrictions a planned DoF recruitment exercise to identify a pool of new NEMs was postponed. The DoJ launched a recruitment exercise in April 2021 and on this basis both NEMs agreed to remain with the Agency until 31 July 2021 to permit replacements to be identified.

Remuneration and pension entitlements

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

[Audited information]

Single total figure of remuneration

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

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

Remuneration and pension entitlements (continued)

[Audited information]

Single total figure of remuneration

Officials and NEMs	Salary	Benefits in kind (to nearest £100) £000	*Pension Benefits (to nearest £1,000) £000	2019-20
				Total
				£000
Paul Andrews Chief Executive	80-85	-	32	110-115
Marcella McKnight Transformation Director (until 27 January 2020)	60-65 (70-75 FYE)	-	22	80-85
Mandy McKay Director of Operations (from 28 October 2019)	25-30 (55-60 FYE)	-	27	50-55
Nuala McAuley Director of Corporate Services (from 4 November 2019)	25-30 (60-65 FYE)	-	8	30-35
Sheila McPhillips Director of Civil Legal Services (until 28 October 2019)	35-40 (65-70 FYE)	-	42	80-85
Jill Herron Director of Payment Services (until 28 October 2019)	35-40 (65-70 FYE)	-	7	45-50
Mark McGuicken Director of Corporate Services (until 4 November 2019)	30-35 (55-60 FYE)	-	37	70-75
Allen McCartney Non-Executive Member	5-10	0.3	-	10-15
Tom Burgess Non-Executive Member (from 20 August 2019)	0-5 (5-10 FYE)	-	-	0-5
Stephen Wooler, CB Non-Executive Member (until 18 June 2019)	0-5 (5-10 FYE)	1.2	-	0-5

FYE = full-year equivalent

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

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any ex gratia payments.

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.

Pay multiples

[Audited information]

	2020-21	2019-20
Band of highest paid Director's Total Remuneration*	£80-85,000	£80-85,000
Median Total Remuneration*	£26,051	£25,540
Ratio	3.2	3.2

**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.*

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

The banded salary of the highest paid director in LSA in the financial year 2020-21 was £80-85,000 (2019-20: £80-85,000). This was 3.2 times (2019-20: 3.2) the median remuneration of the workforce, which was £26,051 (2019-20: £25,540).

In 2020-21, no employees received remuneration in excess of the highest paid director.

Remuneration in 2020-21 ranged from £17,000 to £80-85,000 (2019-20: £16,000 to £80-85,000).

Pension entitlements

[Audited information]

Officials	Accrued pension at pension age as at 31/3/21 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/21 £000	CETV at 31/3/20 £000	Real increase in CETV £000	Employer contribution to partnership pension account (Nearest £100)
Paul Andrews* Chief Executive	40-45 plus 70-75 lump sum	0-2.5 plus nil lump sum	660	627	21	-
Mandy McKay Director of Operations	30-35 plus 60-65 lump sum	0-2.5 plus nil lump sum	566	532	14	-
Nuala McAuley Director of Corporate Services	25-30	2.5-5	431	380	31	-

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

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

Northern Ireland Civil Service (NICS) pension schemes

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

The alpha pension scheme was 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 existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. 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%.

Discrimination identified by the courts in the way that the 2015 pension reforms were introduced must be removed by the Department of Finance. It is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period.

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

The different pension benefits relates to the different schemes eg classic, alpha etc and is not the monetary benefits received. This is known as the 'McCloud Remedy' and will impact many aspects of the Civil Service Pensions schemes including the scheme valuation outcomes.

Further information on this will be included in the NICS pension scheme accounts which are available at <https://www.finance-ni.gov.uk/publications/dof-resource-accounts>.

Currently, new entrants joining can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a 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 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

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

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

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

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

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 2020 was 0.5% and HM Treasury has announced that public service pensions will be increased accordingly from April 2021.

Employee contribution rates for all members for the period covering 1 April 2021 to 31 March 2022 are as follows:

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates - all members
From	To	
£0	£24,199.99	4.60%
£24,200.00	£55,799.99	5.45%
£55,800.00	£153,299.99	7.35%
£153,300.00 and above		8.05%

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Compensation for loss of office

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

STAFF REPORT**Staff costs**

Staff costs comprise:

[Audited information]

	Permanently Employed Staff	Others	2020-21 £000 Total	2019-20 £000 Total *Restated
Wages and salaries	3,814	425	4,239	4,404
Social security costs	388	-	388	397
Other pension costs	1,119	-	1,119	1,106
Total costs	5,321	425	5,746	5,907

Of which:		2020-21 £000 Total	2019-20 £000 Total *Restated
	Note		
Programme staff costs	3	5,746	5,612
Capital projects		-	295
Total costs		5,746	5,907

* 2019-20 figures have been restated to include staff salaries which were capitalised during the year

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

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

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

The 2016 Scheme Valuation requires adjustment as a result of the 'McCloud remedy'. The Department of Finance have also commissioned a consultation in relation to the Cost Cap Valuation which will close on 25 June 2021. By taking into account the increased value of public service pensions, as a result of the 'McCloud remedy', scheme

Staff costs (continued)

cost control valuation outcomes will show greater costs than otherwise would have been expected. On completion of the consultation the 2016 Valuation will be completed and the final cost cap results will be determined.

For 2020-21, employers' contributions of £1,103,594 were payable to the NICS pension arrangements (2019-20: £1,054,818) 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 (2019-20: 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 14.5% (2019-20, 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% (2019-20: £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 (2019-20: one) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £Nil (2019-20: £Nil).

Average number of persons employed

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

[Audited information]

	2020-21	2019-20
Operational staff	135	131
Staff engaged on capital projects	-	5
Total	135	136

Staff composition

The number of persons employed at 31 March 2021 was as follows:

	Female staff	Male Staff	Total Staff
LSA Board	2	3	5
Senior Civil Service	-	1	1
LSA Employees	88	54	142

Managing attendance

The average days lost per whole time equivalent member of staff for 2020-21 was 17.3 days (2019-20:16.9 days). Official finalised figures were published at Department level within the “Sickness Absence in the Northern Ireland Civil Service 2020-21” on 29 June 2021. The NICS wide absence figure for 2020-21 was 9.8 average days lost per staff member year representing 4.4% of all available working days (2019-20: 12.9 days or 5.9%). The equivalent figures for DoJ were 13.5 days or 6.1% of available working days (2019-20: 15.5 days or 7.1%).

Staff wellbeing

LSA has continued to make staff aware during 2020-21 of on-line well-being events, guidance and supports available including on-line resilience training for staff and line managers. The restrictions driven by the pandemic have meant no social or well-being events have been held during the year but the Agency looks forward to re-establishing this when social distancing allows.

Staff policies

Pay policy

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

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

The pay award system is administered centrally and aims to:

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

Equality, diversity and inclusiveness of the workforce

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

The [NICS People Strategy](#) includes a range of actions that will help accelerate the ambition of a truly inclusive NICS, which reflects the society it serves. As a key element of the People Strategy, the diversity and inclusion programme of work is delivered through the implementation of an annual NICS Diversity Action Plan, and overseen by the leadership of the NICS Board, the NICS Diversity Champions Network, Departmental Diversity Champions and Thematic Diversity Champions, NICS colleague networks and NICS HR, as well as through partnership working with stakeholder organisations.

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

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. The NICS commitment to equality of opportunity is outlined in its [Equality, Diversity and Inclusion Policy](#).

As part of the NICS efforts to ensure equality of opportunity, the NICS conducts comprehensive reviews into the composition of its workforce and recruitment activity, publishing a wide range of [NICS human resource statistics](#). The annual "Equality Statistics for the Northern Ireland Civil Service" reports work force composition and trends over time and, where appropriate, makes comparisons with the wider labour market and the Civil Service in Great Britain.

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

The NICS uses the findings of all the equality monitoring and analysis to inform its programme of targeted outreach activity to address any areas of under-representation. As a public authority, the NICS has due regard to the need to promote equality of opportunity and regard to the desirability of promoting good relations across a range of categories outlined in the Section 75 of the Northern Ireland Act 1998 in carrying out its functions. Further information on the Department's equality scheme is available at <https://www.justice-ni.gov.uk/publications/department-justice-equality-scheme-2015>.

Equality, diversity and inclusiveness of the workforce (continued)

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 applies the recruitment principles as set out in the Recruitment Code of the Civil Service Commissioners for Northern Ireland, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which includes raising awareness of unconscious bias, is offered to all members of NICS recruitment panels. Unconscious bias training is available to all staff and has been undertaken by all LSA staff during 2020-21.

To maintain and promote a diverse and inclusive workforce, the NICS has policies in place to support adjustments to the working environment required by disabled persons. The LSA complies with all NICS policies and procedures and in turn with the requirements of the Disability Discrimination Act 1995 and amendments made under the Act. LSA aims to ensure that people with a disability suffer no detriment in recruitment and advancement and will promote consideration and implementation of reasonable adjustments to ensure that staff with disabilities can fully utilise their skills and abilities.

The NICS has a wide and active network of Diversity Champions and one of its Deputy Secretaries is the NICS Diversity Lead for Disability. The NICS has a Disability Working Group and is a lead partner with Employers for Disability Northern Ireland. During 2020-21 the NICS established a Disability Staff Network. This Network plays a key role in promoting disability equality and inclusion across the NICS.

As part of its welfare and support programme, LSA staff have access to a wide variety of areas of support including Inspire, DoJ Wellbeing, NI Civil Service Charity, as well as career development programmes targeted to support people with a disability.

The NICS is committed to working towards creating a truly inclusive workplace where all colleagues feel valued. The NICS promotes a number of schemes for disabled people, including a Work Experience Scheme for People with Disabilities.

Employee involvement and Trade Union relationships

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

During 2020-21 the Agency published regular staff bulletins and messages from the SMT focused on keeping staff involved even when working from home. SMS messaging was implemented prior to the first lockdown and has proved a valuable tool, in supplement to e-mail, in order to get the clear consistent messaging out to all staff simultaneously.

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

Under the DoJ Staff Engagement Strategy, LSA is represented on the DoJ Staff Engagement Forum. LSA will refresh representation during the in-coming year with staff serving a term of one-two years. The purpose of the Forum is to provide a voice for staff to discuss issues and concerns and, on many fronts, influence the future direction of the Department. The Forum usually meets quarterly and though meetings were suspended in the earlier part of the year, the Forum began to meet again during the second half of 2020-21 and will request staff to:

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

Learning and development

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

All staff completed a Personal Development Plan which identified training needs for 2020-21. Development and delivery of generic staff training is centralised in NICSHR. Training is delivered using a variety of learning delivery channels (including on-line, webinars), providing flexible access to learning. Coherent learning pathways are aligned to both corporate need and the NICS Competency Framework.

Talent management is a key theme of the NICS People Strategy and this year the focus was on improving the quality of the development conversation between managers and staff, with the introduction of a talent management toolkit.

LSA SMT had set IT literacy, including the management of reporting tools, as a priority for 2020-21 and to that end a further 20 licences for Qlik Sense had been commissioned. However due to a change freeze the purchase was delayed until March 2021 and the benefits will not be realised until 2021-22.

The SMT has also determined that given the customer facing nature of LSA work all staff should undertake on-line Unconsciousness Bias training and that annual on-line Fraud Awareness training will be made mandatory as an indicator of the Agency's commitment to addressing the qualification in respect of fraud and error.

A number of line of business training events have been conducted by LSA remotely during the year in particular considering technical areas such as error testing by SAU, and effectively answering Freedom of Information requests. In addition two Counter Fraud Unit staff have undertaken their accredited counter fraud qualification: Chartered Institute of Public Finance and Accountancy (CIPFA), Certificate in Investigative Practice.

Career development

The NICS is a large organisation that offers many employment opportunities for new entrants each year in a wide variety of work areas, such as administration, legal, health, education, employment, environment etc. Job opportunities range from those with lower entry requirements such as administrators or lab attendants etc, to those that require a degree, or professional qualification such as accountants or lawyers.

NICS staff can then go on to develop their careers through mentoring, secondment and interchange opportunities, elective transfers, temporary promotion, job rotation and job shadowing.

Staff engagement scores

The 2020 NICS People Survey was conducted by NISRA across the nine NICS ministerial Departments as well as the Public Prosecution Service and the Health & Safety Executive for NI. All staff working in these organisations were invited to take part in the survey.

For the DoJ there were 3,378 (2019: 3,343) staff invited to complete the survey, of which 1,091 individuals participated, including temporary/agency workers (2019: 1,366) a response rate of 31.3% (2019: 41.4%) excluding temporary/agency workers. Due to the short timeframe for completion of the 2020 survey it was not possible to put in place the necessary arrangements to allow full participation by NIPS operational staff which impacted on response rates. The Employee Engagement Index (EEI) is the weighted average of responses to the five employee engagement questions, and it ranges from 0% to 100%. DoJ responses indicated an Employee Engagement Index of 55% (2019: 51%), compared to the NICS average of 57% (2019: 51%). Details of the Benchmark Scores can be accessed at www.finance-ni.gov.uk/publications/nics-people-survey-results.

Due to the structuring of the 2020 People Survey, LSA specific answers were not available in terms of staff engagement scores. The reporting hierarchy has been amended to ensure this could not happen in future.

Staff turnover

Based on information provided by NISRA (Northern Ireland Statistics and Research Agency) the level of staff turnover for 2020-21 was as follows:

	Departmental Turnover Rate	General Turnover Rate
Legal Services Agency	6.7%	0.0%

The Turnover Rate % is calculated as the number of leavers within the year divided by the average number of staff in post over the year. The definitions employed for Turnover are: 'Departmental Turnover' (staff leaving the NI Civil Service or a particular department) and 'General Turnover' (staff leaving the NI Civil Service as a whole). 2020-21 is the first financial year that disclosures for staff turnover are required by FReM and comparative information for 2019-20 is not available.

Expenditure on consultancy

The Agency incurred no expenditure on consultancy during 2019-20 or 2020-21.

Off-payroll payments

The Agency made no off-payroll payments in 2019-20 or 2020-21.

Reporting of Civil Service and other compensation schemes - exit packages

There were no exit packages requiring disclosure during 2020-21 (2019-20: Nil).

ASSEMBLY ACCOUNTABILITY AND AUDIT REPORT

ASSEMBLY ACCOUNTABILITY DISCLOSURES

[Audited information]

Losses and special payments

The value of trade receivable balances written-off during 2020-21 was £465,445 (2019-20: £289,816).

One special payment was made during the year in respect of an ex-gratia settlement payment of £16,000. This cost arose out of settlement of a case following advice from senior counsel where an application had been made for Judicial Review. The costs were paid jointly between the Agency and the Department of Justice.

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;
- Errors made by legal aid applicants and legal practitioners; and
- Fraud.

Estimates of official error within individual sampled legal aid payments are provided by the SAU, within the DfC, under a Memorandum of Understanding. 2019 was the first full year of measurement of official error for legal aid and has been used to establish a formal baseline rate against which future annual performance is measured.

The estimated level of overpayments in legal aid expenditure resulting from official error in 2020-21 is £4.4 million (2019-20: £6.2 million), whilst the estimated level of underpayments is £1.2 million (2019-20: £2.1 million). All 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 not considered to have conformed to the authorities which govern them as the corresponding transactions have not been processed in accordance with the applicable legislation. Therefore this expenditure is considered to be incorrect.

Currently, LSA does not produce an estimate of the likely scale of overpayments or underpayments made to legal practitioners resulting from fraud and error by applicants or practitioners.

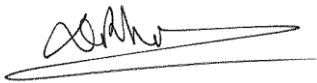
ASSEMBLY ACCOUNTABILITY DISCLOSURES (CONTINUED)

[Audited information]

Remote contingent liabilities

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

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

ACCOUNTABILITY REPORT

Paul Andrews
Chief Executive and Accounting Officer
30 June 2021

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

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Legal Services Agency Northern Ireland for the year ended 31 March 2021 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. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the Government Financial Reporting Manual.

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

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

- give a true and fair view of the state of the Legal Services Agency Northern Ireland's affairs as at 31 March 2021 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Qualified opinion on regularity

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

Basis for qualified opinions

Provision for legal aid liabilities totalling £157.4 million has been made in the financial statements for the estimated expenditure required to settle the costs incurred on legal aid cases. However in respect of £137.2 million of those liabilities the Legal Services Agency Northern Ireland was unable to provide sufficient evidence to support management information used to determine a number of key assumptions and judgements it used to estimate this element of the provision. Consequently, I was unable to determine the full extent of the adjustments necessary to the provision for legal aid liabilities and the resulting adjustment to the legal aid expenditure for the year.

My examination found material weaknesses in controls over fraud and error prevention and detection in respect of legal aid costs totalling £80.3 million:

CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)

- Statistics produced by the Agency estimated £4.4 million of overpayments and £1.2 million of underpayments of legal aid costs were made in the year due to official error. The Agency is required to pay legal aid costs in accordance with legislation. Where official error results in overpayments and underpayments, the transactions have not been processed in accordance with the applicable legislation. The expenditure is 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 practitioners or 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 of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate.

My staff and I are independent of the Legal Services Agency Northern Ireland in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2019, 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 the 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 Legal Services Agency Northern Ireland's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)

Other Information

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

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

Opinion on other matters

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

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

Matters on which I report by exception

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

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

- allow for an assessment of fraud and error in legal aid claims by applicants and practitioners; and
- underpin management's judgements and assumptions used in the valuation of an element of the provision for legal aid liabilities.

CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)

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
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Responsibilities of the Accounting Officer for the financial statements

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

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 the 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.

CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)

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 the 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 the 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 errors: legal aid expenditure and provisions, revenue recognition and posting of unusual journals;
- engagement director oversight to ensure the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with the applicable legal and regulatory framework throughout the audit;
- documenting and evaluating the design and implementation of internal controls in place to mitigate risk of material misstatement due to fraud and non-compliance with laws and regulations;
- designing audit procedures to address specific laws and regulations which the engagement team considered to have a direct material effect on the financial statements in terms of misstatement and irregularity, including fraud. These audit procedures included, but were not limited to, reading board and committee minutes, agreeing financial statement disclosures to underlying supporting documentation and approvals as appropriate, risk assessment of journals, reviewing the design and controls used in the valuation of legal aid provisions and reviewing controls in place for reducing the levels of fraud and error in legal aid payments;

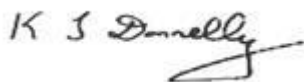
CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY (CONTINUED)

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

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

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

My report on those matters subject to qualification is included on pages 125 to 132 of the financial statements.



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

6 July 2021

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2021

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	2020-21 £000	2019-20 £000
Revenue from contracts with customers	5	-	-
Other operating income	5	(2,500)	(1,852)
Total operating income		(2,500)	(1,852)
Staff costs	3	5,746	5,612
Purchase of goods and services	3	(2,586)	3,671
Depreciation and amortisation charges	3	1,312	914
Provisions expense	3	80,253	99,462
Grants	3	10	21
Total operating expenditure		84,735	109,680
Net operating expenditure		82,235	107,828
Finance expense		-	-
Net expenditure for the year		82,235	107,828
Other comprehensive net expenditure			
Items that will not be reclassified to Net operating expenditure:			
- net (gain) on revaluation of property, plant and equipment	6	-	(1)
- net (gain) on revaluation of intangibles	7	(79)	(164)
Comprehensive net expenditure for the year		82,156	107,663

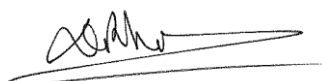
The notes on pages 87 to 122 form part of these Accounts.

Statement of Financial Position

As at 31 March 2021

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	2021 £000	2020 £000
Non-current assets			
Property, plant and equipment	6	21	43
Intangible assets	7	6,739	7,749
Total non-current assets		6,760	7,792
Current assets			
Trade and other receivables	10	8,984	1,744
Cash and cash equivalents	9	-	-
Total current assets		8,984	1,744
Total assets		15,744	9,536
Current liabilities			
Trade and other payables	11	(3,072)	(2,606)
Provisions	12	(62,398)	(78,997)
Total current liabilities		(65,470)	(81,603)
Total assets less current liabilities		(49,726)	(72,067)
Non-current liabilities			
Provisions	12	(95,588)	(74,059)
Total non-current liabilities		(95,588)	(74,059)
Total assets less total liabilities		(145,314)	(146,126)
Taxpayers' equity and other reserves			
General Fund		(145,531)	(146,291)
Revaluation Reserve		217	165
Total equity		(145,314)	(146,126)



Paul Andrews
Chief Executive and Accounting Officer

30 June 2021

The notes on pages 87 to 122 form part of these Accounts.

Statement of Cash Flows

For the year ended 31 March 2021

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

	Note	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net expenditure for the year		(82,235)	(107,828)
Adjustment for non-cash transactions	4	75,913	101,326
(Increase) in trade and other receivables	10	(994)	(375)
(Decrease) in trade and other payables	11	(29)	(451)
Use of provisions	12	(75,323)	(82,215)
Net cash outflow from operating activities		(82,668)	(89,543)
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(7)
Purchase of intangible assets		(178)	(918)
Net cash outflow from investing activities		(178)	(925)
Cash flows from financing activities			
Net Assembly Funding		82,379	89,420
Net financing		82,379	89,420
Net (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(467)	(1,048)
Receipts due to the Consolidated Fund which are outside the scope of the Agency's activities		3	-
Payments of amounts due to the Consolidated Fund		(3)	-
Net (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(467)	(1,048)
Cash and cash equivalents at the beginning of period	9	(990)	58
Cash and cash equivalents at the end of period	9	(1,457)	(990)

The notes on pages 87 to 122 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2021

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 2019		(128,506)	-	(128,506)
Net Assembly Funding		89,420	-	89,420
Comprehensive net expenditure for the year		(107,828)	165	(107,663)
Auditor's remuneration	3	68	-	68
Other notionals	3	555	-	555
Transfer between reserves		-	-	-
Balance at 31 March 2020		(146,291)	165	(146,126)
Net Assembly Funding		82,379	-	82,379
Comprehensive net expenditure for the year		(82,235)	79	(82,156)
Auditor's remuneration	3	73	-	73
Other notionals	3	516	-	516
Transfer between reserves		27	(27)	-
Balance at 31 March 2021		(145,531)	217	(145,314)

The notes on pages 87 to 122 form part of these Accounts.

Notes to the Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2020-21 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.

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

1.4 Intangible assets

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

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

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

1.5 Revaluation Reserve

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

1.6 Depreciation and amortisation

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

Estimated useful lives, which are reviewed regularly, are:

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

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

1.7 Realised element of depreciation from Revaluation Reserve

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

1.8 Value Added Tax

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

1.9 Provisions

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

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

1.10 Contingent liabilities

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

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

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

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

1.11 Third-party assets

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

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

1.12 Financing

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

1.13 Classification of Income and Expenditure

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

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

1.14 Income

Revenue from contracts with customers

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

Sale of goods and services

Revenue from the sale of goods is recognised either:

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

Other operating income

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

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

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

1.15 Staff costs

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

1.16 Pension costs

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

Prior to 1 April 2015, the Northern Ireland Legal Services Commission (NILSC) made employer contributions to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme, which is a funded scheme of the defined benefit type. The NILGOSC Scheme closed on 31 March 2015 for NILSC employees following the machinery of government transfer from NILSC to the Agency. The accrued pension benefits of NILGOSC for pensioners and deferred members remain in NILGOSC.

LSA staff in post at the time were given the option to retain their accrued pension benefits up to 31 March 2015 in NILGOSC or transfer to NICS pension arrangements by way of a bulk transfer. Final amounts payable to both NILGOSC and NICS pension schemes were agreed during 2017-18 and payments were made to settle all remaining liabilities. This bulk transfer process is now completed.

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

1.17 Operating leases

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

1.18 Grants payable

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

1.19 Notional charges

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

1.20 Segmental reporting

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

1.21 Financial Instruments

Recognition and de-recognition of financial assets and financial liabilities

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

Financial assets

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

Trade and other receivables

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

Cash and cash equivalents

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

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

1.21 Financial Instruments (continued)

Impairment of financial assets

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

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

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

Financial liabilities

Trade and other payables

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

1.22 Critical accounting estimates and key judgements

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

Legal aid provisions

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

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

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

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

1.23 Accounting standards, interpretations and amendments to published standards and FReM - issued and effective in 2020-21 for the first time

The Agency has considered those new Standards, interpretations and amendments to existing Standards which have been published and are mandatory for the Agency's accounting periods beginning on or after 1 April 2020 or later periods, but which the Agency has not adopted early. The Agency considers that these are not relevant or material to its operations.

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

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

Standard	IFRS 16 <i>Leases</i> (replaces IAS 17 <i>Leases</i> and related interpretations)
Effective date	January 2019 (EU endorsed 31 October 2017)
FReM application	2022-23
Description of revision	<p>The IASB issued IFRS 16 in January 2016 with an effective date for annual periods beginning on or after 1 January 2019. Early application is permitted for those entities applying IFRS 15.</p> <p>IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases, unless they qualify for low value or short-term exemptions. In addition, there are updated disclosure requirements.</p> <p>The lessor accounting model is generally unchanged from IAS 17 but entities should be aware of the introduction and impacts of IFRS 9 <i>Financial Instruments</i>, enhanced disclosure requirements and that a sub-lessor now determines whether a lease is finance or operating based on the right of use asset it subleases.</p>
Comments	<p>IFRS 16 <i>Leases</i> replaces IAS 17 <i>Leases</i> and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2022.</p> <p>The Agency's current lease is due to expire on 31 July 2022 and it is considering options for future office accommodation. The Agency is therefore unable at this stage to determine what future impact this new Standard will have on its Statement of Financial Position or Statement of Comprehensive Net Expenditure.</p>

1.25 Financial reporting - future developments

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

2. Statement of Operating Expenditure by Operating Segment

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

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

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

	2019-20 £000		
	Civil legal services	Criminal legal aid	Total
Gross expenditure	59,050	50,630	109,680
Income	(1,839)	(13)	(1,852)
Net expenditure	57,211	50,617	107,828

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

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

	2019-20 £000		
	Civil legal services	Criminal legal aid	Total
Total net expenditure reported for Operating Segments	57,211	50,617	107,828
Reconciling items	-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	57,211	50,617	107,828

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	2020-21 £000	2019-20 £000
Staff costs*			
Wages and salaries		4,239	4,193
Social security costs		388	373
Other pension costs		1,119	1,046
		5,746	5,612
Purchase of goods and services			
Accommodation costs, maintenance and utilities		608	336
IT, communications and office services		167	190
Consumables, equipment and transport costs		1	-
Contracted out and managed services		957	834
Professional and consultancy costs		148	142
Client and programme operating costs		184	369
Rentals under operating leases		421	421
Staff related costs		30	30
Other costs		468	291
Appeals Panel and Non-Executive Member costs		82	108
		3,066	2,721
Non-cash items			
Loss on disposal of non-current assets		5	-
Auditor's remuneration and expenses		73	68
Notional charges		516	555
(Decrease)/increase in impairment of trade receivables	10	(6,246)	327
		(5,652)	950
		(2,586)	3,671
Depreciation and amortisation charges			
Depreciation	6	17	19
Amortisation	7	1,295	895
		1,312	914
Provisions expense			
Provided in year	12	77,972	96,277
Re-measurement of opening balance	12	2,281	3,185
		80,253	99,462
Grants			
		10	21
Total programme expenditure			
		84,735	109,680

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

4. Non-cash costs

	Note	2020-21 £000	2019-20 £000
Purchase of goods and services	3	(5,652)	950
Depreciation and impairment charges	6, 7	1,312	914
Other provisions expense	12	80,253	99,462
		75,913	101,326

5. Income

	2020-21 £000	2019-20 £000
Revenue from contracts with customers	-	-
Other operating income		
Rental income	112	-
Contributions and statutory charges	2,388	1,852
	2,500	1,852
Total operating income	2,500	1,852

6. Property, plant and equipment

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

6. Property, plant and equipment (continued)

	Plant and Machinery £000	Information Technology £000	2019-20 Total £000
Cost or valuation			
At 1 April 2019	1,177	60	1,237
Additions	-	7	7
Disposals	-	-	-
Transfers and reclassifications	12	(12)	-
Revaluation released to SoCNE	-	-	-
Revaluation	-	1	1
At 31 March 2020	1,189	56	1,245
Depreciation			
At 1 April 2019	1,174	9	1,183
Charged in year	5	14	19
Disposals	-	-	-
Revaluation released to SoCNE	-	-	-
Revaluation	-	-	-
At 31 March 2020	1,179	23	1,202
Carrying amount at 31 March 2020	10	33	43
Carrying amount at 31 March 2019	3	51	54
Asset financing:			
Owned	10	33	43
Carrying amount at 31 March 2020	10	33	43

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

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

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

7. Intangible assets (continued)

				2019-20
	Software licences £000	Software £000	Assets Under Construct- ion £000	Total £000
Cost or valuation				
At 1 April 2019	642	386	7,707	8,735
Additions	-	-	773	773
Disposals	(642)	(386)	-	(1,028)
Transfers and reclassifications	-	8,480	(8,480)	-
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	184	-	184
At 31 March 2020	-	8,664	-	8,664
Amortisation				
At 1 April 2019	642	386	-	1,028
Charged in year	-	895	-	895
Disposals	(642)	(386)	-	(1,028)
Revaluation released to SoCNE	-	-	-	-
Revaluation	-	20	-	20
At 31 March 2020	-	915	-	915
Carrying amount at 31 March 2020	-	7,749	-	7,749
Carrying amount at 31 March 2019	-	-	7,707	7,707
Asset financing:				
Owned	-	7,749	-	7,749
Carrying amount at 31 March 2020	-	7,749	-	7,749

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

	2020-21 £000	2019-20 £000
Balance at 1 April	(990)	58
Net change in cash and cash equivalent balances	(467)	(1,048)
Balance at 31 March	(1,457)	(990)

The following balances at 31 March are held at:

NI banking pool	(1,457)	(990)
Commercial banks and cash in hand	-	-
Balance at 31 March	(1,457)	(990)

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

	Note	2020-21 £000	2019-20 £000
Current assets		-	-
Current liabilities	11	(1,457)	(990)
Total		(1,457)	(990)

10. Trade receivables, financial and other assets

	2020-21	2019-20
	£000	£000
Amounts falling due within one year:		
VAT	26	24
Trade receivables	8,813	1,550
Other receivables	4	8
Prepayments and accrued income	141	162
	8,984	1,744

Trade receivables are stated net of the following impairment:

	2020-21	2019-20
Note	£000	£000
Gross trade receivables at 31 March	10,959	9,942
Less impairment of trade receivables:		
At 1 April	(8,392)	(8,065)
Increase in impairment during the year	3 (531)	(1,269)
Decrease in impairment during the year	3 6,777	942
Impairment at 31 March	(2,146)	(8,392)
Net trade receivables at 31 March	8,813	1,550

The Agency reviews the trade receivable balances on an ongoing basis and considers whether the debt has a reasonable chance of being recovered or if it should be impaired. Following a review of the statutory charge debt recovered in 2020-21, the Agency's assessment is that an impairment is no longer required for this category of debt as the debt is secured as a result of the charge placed. This revised assessment is the main reason for the decrease in impairment noted above for 2020-21. As it is a change of estimate, not accounting policy, a prior year adjustment has not been made.

11. Trade payables, financial and other liabilities

	2020-21	2019-20
Note	£000	£000
Amounts falling due within one year:		
Bank overdraft	9 1,457	990
Trade payables	187	102
Other payables	434	429
Accruals and deferred income	994	1,085
	3,072	2,606

12. Provisions for liabilities and charges

	Legal aid £000	Legal claims £000	Holiday pay £000	2020-21 Total £000
At 1 April 2020	152,353	568	135	153,056
Provided in the year	77,845	127	-	77,972
Re-measurement of opening balance	2,418	(80)	(57)	2,281
Provisions utilised in the year	(75,214)	(109)	-	(75,323)
Balance at 31 March 2021	157,402	506	78	157,986

	Legal aid £000	Legal claims £000	Holiday pay £000	2019-20 Total £000
At 1 April 2019	135,732	77	-	135,809
Provided in the year	95,521	621	135	96,277
Re-measurement of opening balance	3,185	-	-	3,185
Provisions utilised in the year	(82,085)	(130)	-	(82,215)
Balance at 31 March 2020	152,353	568	135	153,056

Analysis of expected timing of cash flows

	Legal aid £000	Legal claims £000	Holiday pay £000	2020-21 Total £000
Not later than one year	61,814	506	78	62,398
Later than one year and not later than five years	92,111	-	-	92,111
Later than five years	3,477	-	-	3,477
Balance at 31 March 2021	157,402	506	78	157,986

	Legal aid £000	Legal claims £000	Holiday pay £000	2019-20 Total £000
Not later than one year	78,429	568	-	78,997
Later than one year and not later than five years	64,705	-	135	64,840
Later than five years	9,219	-	-	9,219
Balance at 31 March 2020	152,353	568	135	153,056

12.1 Legal aid: £157.402m (2019-20: £152.353m)

The legal aid provisions can be further analysed as follows:

			2020-21
	Civil legal services £000	Criminal legal aid £000	Total £000
At 1 April 2020	102,478	49,875	152,353
Provided in the year	44,938	32,907	77,845
Re-measurement of opening balance	278	2,140	2,418
Provisions utilised in the year	(41,360)	(33,854)	(75,214)
Balance at 31 March 2021	106,334	51,068	157,402
			2019-20
	Civil legal services £000	Criminal legal aid £000	Total £000
At 1 April 2019	91,180	44,552	135,732
Provided in the year	53,855	41,666	95,521
Re-measurement of opening balance	(199)	3,384	3,185
Provisions utilised in the year	(42,358)	(39,727)	(82,085)
Balance at 31 March 2020	102,478	49,875	152,353

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.

Civil legal services

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

12.1.1 Analysis of provisions by sub-categories (continued)

Civil legal services

	Represent- tion Lower	Advice and Assistance	Represent- tion Lower (Children)	Represent- tion Higher	Exceptional Funding	2019-20 Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	632	627	7,193	79,232	3,496	91,180
Provided in the year	1,881	4,713	4,568	33,252	9,441	53,855
Re-measurement of opening balance	133	159	979	371	(1,841)	(199)
Provisions utilised in the year	(1,225)	(4,729)	(5,013)	(30,035)	(1,356)	(42,358)
Balance at 31 March 2020	1,421	770	7,727	82,820	9,740	102,478

Criminal legal aid

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

Criminal legal aid

	Magistrates Court	Crown Court	Appeals, Bail and Extradition	Court of Appeal Criminal Appeals	2019-20 Total
	£000	£000	£000	£000	£000
At 1 April 2019	11,700	30,196	891	1,765	44,552
Provided in the year	17,071	20,670	1,052	2,873	41,666
Re-measurement of opening balance	1,559	2,124	56	(355)	3,384
Provisions utilised in the year	(17,468)	(19,029)	(920)	(2,310)	(39,727)
Balance at 31 March 2020	12,862	33,961	1,079	1,973	49,875

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:

	2020-21		2019-20	
	Volume of cases	£000	Volume of cases	£000
Cases costed at an average cost	61,607	126,567	58,879	122,090
Cases costed where an average cost is not applicable	596	30,835	734	30,263
Total	62,203	157,402	59,613	152,353

Volumes

The Agency's new Legal Aid Management System (LAMS) came into operation on 1 July 2019. A feature of this new case management system includes auto-closure functionality, which closes cases when a set of predefined conditions have been satisfied including payment in full. This functionality has become fully operational throughout the 2020-21 reporting period and has cleansed the 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.

Further analysis of the volume has taken place throughout the reporting period and a population of cases that met data migration rules are currently being reviewed due to continuing inactivity since LAMS was introduced in conjunction with their age profile. A data management project team has been established to determine if these cases still have an outstanding liability attached to them.

An adjustment of 11,599 cases has been made to the volume reported from the system to reflect those cases which fall under the scope of this project team's work i.e. where a case has been inactive since LAMS inception and the case falls outside the lifecycles previously applied to the individual case nature.

12.1.2 How the figures are derived (continued)

Costs

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

i. cases costed at an average cost

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

A new average cost report was developed during the financial year which is now fully operational. The 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 records and continuously monitors a list of Exceptional Funding cases. Each case is separately reviewed and costed;
- **Exceptionality** - the Agency records and continuously monitors a list of Exceptionality criminal cases. Each case is separately reviewed and costed; and
- **Court of Appeal** - the Taxing Master provides a list of the cases currently held along with the associated claimed and assessed value. This is reviewed by the Agency and the liability is calculated using the information provided.

12.1.3 Judgements made by management

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

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

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. Within the current reporting period the auto-closure functionality has now been 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. These cases are currently under investigation. 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 has been established to analyse these cases and communicate with suppliers to establish if an outstanding liability remains or the cases can be manually closed.

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

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

12.1.4 Uncertainties (continued)

Reporting

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

A suite of provision reports have been developed from LAMS throughout the financial year 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 bill of costs for taxed certificates will be presented to the Taxing Master's Office for assessment initially, and following approval, submitted to the Agency for payment. Considerations of the timeliness of these bills is solely a matter for the Master and taxed bills can be received many years after the conclusion of a case.

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 Legal Claims: £0.506m (2019-20: £0.568m)

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.

12.3 Holiday pay: £0.078m (2019-20: £0.135m)

The Court of Appeal (CoA) judgment from 17 June 2019 (PSNI v Agnew) determined that claims for Holiday Pay shortfall can be taken back to 1998. However, the PSNI has appealed the CoA judgment to the Supreme Court. The Supreme Court hearing was scheduled for the 23 and 24 June 2021 but this has subsequently been adjourned. The 2020-21 Holiday Pay provision has been estimated by NICS HR and covers the period from November 1998 to 31 March 2020.

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

- the appeal to the Supreme Court (as detailed above);
- lack of accessible data for years previous to 2011;
- ongoing negotiations with Trade Unions; and
- the provision includes a pension element which is based on formulae provided by the Government Actuary's Department (GAD) with a variable capitalisation factor (CF). The CF used for these calculations is 12 which is based on the commutation value currently used in public sector pensions. This figure is subject to change as the calculation has not been agreed with Trade Unions.

13. Leases**Operating leases**

£0.421m (2019-20: £0.421m) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

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

	2020-21 £000	2019-20 £000
Obligations under operating leases comprise:		
<i>Land and buildings</i>		
Not later than one year	421	421
Later than one year and not later than five years	140	561
Later than five years	-	-
Total	561	982

14. Capital commitments

	2020-21 £000	2019-20 £000
Contracted capital commitments at 31 March not otherwise included in these financial statements:		
Property, plant and equipment	-	-
Intangible assets	-	75
Total	-	75

15. Other financial commitments

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

	2020-21 £000	2019-20 £000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	-	-

16. Contingent liabilities

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

Statutory deductions

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

The challenge is against the legislation so the Department/Agency will be defending the proceedings. The hearing in respect of this case has been postponed and is unlikely to have an outcome during 2021.

17. Related party transactions

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

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

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

18. Fraud and error measurement

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

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

Official fraud and error

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

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

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

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

18. Fraud and error measurement (continued)

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

The sample of cases reviewed for 2020 was reduced to 695, against the sample of 893 cases conducted in respect of 2019. The impact of Covid-19 resulted in SAU staff being redirected to front line benefits work for a number of months during 2020 reducing the sampling for LSA that was possible. 695 remains a statistically robust number of cases from which the results below have been extrapolated.

The year end results for 2020 are set out below on the basis of the estimated monetary value of the error (MVE):

Category of error - 2020	Including deemed errors			Excluding deemed errors		
	Estimated MVE	% of total estimated MVE	% of total expenditure	Estimated MVE	% of total estimated MVE	% of total expenditure
LSA assessor error	£3,822,952	68.6%	10.2%	£3,977,926	99.5%	10.6%
LAAO error	£1,288,246	23.1%	3.4%	£0.00	0.0%	0.0%
Further information required from legal representatives	£435,111	7.8%	1.2%	£0.00	0.0%	0.0%
Amendment required to Remuneration Order 2015	£27,009	0.5%	0.1%	£21,804	0.5%	0.1%
Total	£5,573,318	100.0%	14.9%	£3,999,730	100.0%	10.7%

18. Fraud and error measurement (continued)

At year-end, deemed errors are applied in instances where SAU monitoring officers required further information to complete their review and determine the accuracy of the payment but it was not able to be provided by LSA prior to the pre agreed year-end reporting date. These results incorporate 84 cases where information requests had been made to practitioners but not been met. While LSA contacted practitioners and encouraged them to provide the information required, responses were not always received and were outstanding in a number of cases at assessment cut-off. It is important to note that information was not sought from practitioners in all cases.

The main sources of error within this were:

Category of error - 2020	Proportion of the monetary value of official error - including deemed errors %	Proportion of the monetary value of official error - excluding deemed errors %
LSANI assessor error	68.6%	99.5%
LAO error	23.1%	0.0%
Further information required from legal representative	7.8%	0.0%
Amendment required to Remuneration Order 2015	0.5%	0.5%
Total	100.0%	100.0%

The Agency expects the error rate to reduce year on year as issues are identified and addressed. Delays in the completion of SAU 2019 testing work from March to October 2020 meant that only two months of sampling were left in the year when the final 2019 report became available. Hence the improvements in controls that LSA developed in response to error detected, were not able to be introduced in such a time frame as to demonstrate a material improvement within 2020. In addition, there is a lag to the full impact of interventions, as a case selected for testing after such improvements may include earlier payments made before this change took effect and in such cases the error will remain valid. It is likely to be within future years testing that the benefits of such actions are fully recognised.

18. Fraud and error measurement (continued)

The error details were also used to estimate the MVE and the 2020 and 2019 results are set out below:

<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	£4,356,129	£917,643	£7,794,614
Underpayments	£1,217,189	£459,342	£1,975,037

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

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

18. Fraud and error measurement (continued)

Applicant fraud and error

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

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

The Agency has also agreed the scope of SAU testing will include the ongoing financial eligibility of assisted persons. This work is termed Future Overpayment Prevention (FOP) and finalisation of the methodology is being undertaken during 2021 with a view to introduction on 1 January 2022. The original model envisaged face to face visits but has been modified to telephone communication in light of Covid-19 restrictions.

Practitioner fraud and error

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

Work has also progressed on development of the practitioner counter fraud capabilities within the Agency. An initial draft practitioner methodology is being piloted during 2021-22 with the aim of finalisation and implementation in autumn 2021.

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

19. Third-party assets

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

	2020-21 £000	2019-20 £000
At 1 April	125	291
Damages received	28	948
Interest received	-	-
	<u>153</u>	<u>1,239</u>
Less:		
Sums repaid to assisted persons	-	(1,045)
Damages retained	(42)	(69)
Balance at 31 March	<u>111</u>	<u>125</u>

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

20. Events after the reporting date

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

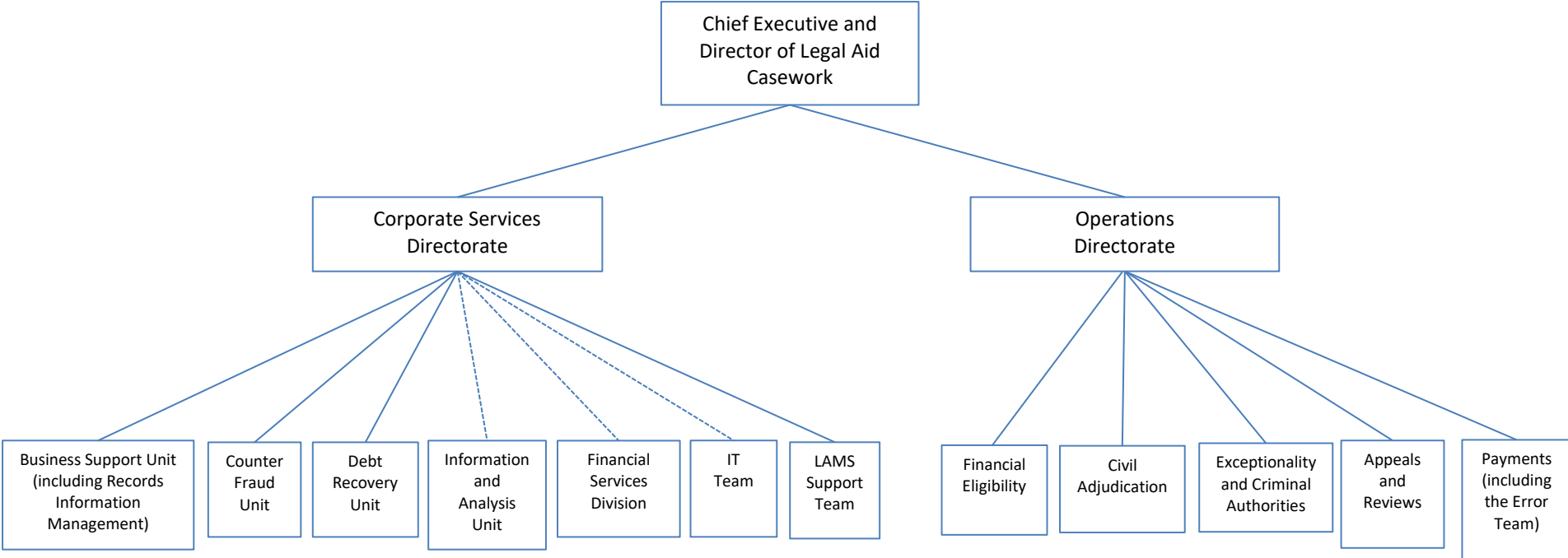
Date for authorisation of issue

The Accounting Officer authorised these financial statements for issue on 6 July 2021.

ANNEX A - GLOSSARY OF TERMS

Acronym	Details
AME	Annually Managed Expenditure
API	Application Programming Interface
BCS	Business Consultancy Service
CAL	Centre for Applied Learning
DEL	Departmental Expenditure Limit
MVE	Monetary Value of Error
C&AG	Comptroller and Auditor General
DfC	Department for Communities
DoF	Department of Finance
DoJ	Department of Justice
FOP	Future Overpayment Protection
HMRC	Her Majesty's Revenue and Customs
GIAFIS	Group Internal Audit and Fraud Investigation Services
HIA	Head of Internal Audit
IPS	Interim Payment Scheme
KPI	Key Performance Indicator
LAMS	Legal Aid Management System
LSA	Legal Services Agency
MoU	Memorandum of Understanding
MVE	Monetary Value of Error
NIAO	Northern Ireland Audit Office
NEM	Non-Executive Member
NISRA	NI Statistics and Research Agency
PPE	Post Project Evaluation
SAU	Standards Assurance Unit
SMT	Senior Management Team

ANNEX B LSA ORGANISATIONAL STRUCTURE



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

1. The Legal Services Agency Northern Ireland (LSANI), an executive agency of the Department of Justice (the Department), was established on 1 April 2015 following the dissolution of the Northern Ireland Legal Services Commission (NILSC) under the Legal Aid and Coroner's Act (Northern Ireland) 2014. LSANI has retained the functions of NILSC for administering legal aid in Northern Ireland.
2. I published a report on 21 June 2016, highlighting a range of concerns in relation to the management of legal aid, including how LSANI's response to suspected frauds was not effective and there was not an effective method in place to predict future legal aid expenditure.
3. The Public Accounts Committee of the Northern Ireland Assembly has published two reports on the subject of legal aid; one in 2011 and another in January 2017. Both reports were critical of how NILSC and LSANI managed the legal aid budget over a number of years. The January 2017 PAC report contained five recommendations for improving the management of legal aid, one of which related to improving counter fraud measures. On 11 March 2021, LSANI attended the Justice Committee to provide oral evidence on its work in addressing the issues I have raised and the Committee has requested written updates in future.
4. I have qualified my audit opinions on the annual accounts of NILSC and LSANI since 2003 due to the lack of effective counter fraud arrangements and weaknesses in the financial estimates of provisions for legal aid liabilities in the annual accounts. Whilst progress has been made by LSANI on these issues, particularly in terms of provisions for legal aid liabilities, further work will be needed to resolve them. Consequently, I am qualifying my regularity opinion and my audit opinion on the 2020-21 financial statements of LSANI.

Purpose of the Report

5. I am required to examine, certify and report upon the financial statements prepared by LSANI under the Government Resources and Accounts Act (Northern Ireland) 2001. This report explains the background to my qualifications on the LSANI Account for the year ended 31 March 2021.
6. I have qualified my regularity opinion due to:
 - statistics produced by LSANI estimating that £4.4 million of overpayments and £1.2 million of underpayments of legal aid costs were made during the year due to official error (Paragraphs 8-13); and
 - limitations in the scope of my work as a result of insufficient evidence available to satisfy myself that material fraud and error by legal aid claimants and legal practitioners did not exist within eligibility assessments of legal aid applicants and in expenditure from legal aid funds (Paragraphs 14-21).
7. I have also qualified my opinion on the financial statements as a result of limitations in the scope of my work due to insufficient evidence available to support the

assumptions and judgements used in the determination of £137.2 million out of a total year end provision for legal aid liabilities of £157.4 million at 31 March 2021; and the resulting adjustments required to the annual legal aid expenditure (Paragraphs 22-27).

Qualified audit opinion on irregular legal aid expenditure

8. Since 2019, LSANI has engaged with the Department for Communities (DfC) to provide an estimate of the levels of fraud and error within legal aid expenditure. This work has a number of different strands and whilst progress has been made in developing a system that will provide an estimate of the levels of fraud and error in legal aid expenditure, to date, LSANI has only been able to provide me with an estimate of the level of official error in this expenditure.
9. DfC's Standards Assurance Unit (SAU) selected a sample of 695 payments made between January 2020 and December 2020 and tested whether they had been processed in accordance with legislation. This information has then been used to estimate the level of official error in 2020-21 legal aid payments. However, following legal advice received during the year, cases where the final assessment of remuneration is subject to taxation were excluded from testing by SAU from 2020 onwards. As a result, the sampling methodology applied against the 2019 year has been amended and the levels of official error as outlined in Figure 1 below for 2020-21 (while robust in their own right) are not directly comparable with estimates from previous years.
10. There are a number of reasons why legal aid expenditure may not be applied for the purposes intended by the Assembly or conform to the authorities which govern them:
 - Official error – where an error can be attributed to the actions or inactions of LSANI;
 - Errors made by legal aid claimants and legal practitioners; and
 - Fraud.
11. The results from this work as outlined in Figure 1 below has shown a reduction in the levels of both overpayments and underpayments due to official error in 2020-21.

Figure 1: Levels of official error in legal aid payments

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

Source: LSANI Annual Report and Accounts 2018-19 - 2020-21

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

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

Qualified audit opinion on irregular legal aid expenditure (continued)

All 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 not considered to have conformed to the authorities which govern them as the corresponding transactions have not been processed in accordance with the applicable legislation.

12. Therefore the expenditure is considered to be incorrect in 2020-21. Figure 2 provides a breakdown of these errors.

Figure 2: Types of error and percentage of the monetary value of official error per category of error (including and excluding deemed errors)

Type of error	Proportion of the monetary value of official error – including deemed errors %	Proportion of the monetary value of official error – excluding deemed errors %
LSANI assessor error - errors identified in the work of LSANI staff during the assessment and payment of legal aid bills submitted	68.6	99.5
Legal Aid Assessment Office (LAAO ³) error - errors that occurred in the assessment of financial eligibility for legal aid by the Legal Aid, prior to the transfer of this function to LSANI in March 2019	23.1	0
Further information required from legal representatives - errors recorded against cases where more information from practitioners would have been needed to determine whether the payment was correct, resulting in a deemed error	7.8	0
Amendment required to Remuneration Order – updates were required to the legislation which outlines how members of the legal profession should be paid for legal aid work, including travel costs, which was actioned in July 2019	0.5	0.5

Source: LSANI – Official error in legal aid payments 2020 end of year report – 4 June 2021

13. The recent establishment of an Error Unit and a Counter Fraud and Error Oversight Group has had an impact on reducing the levels of both overpayments and underpayments due to official error in 2020-21, by deriving lessons learned and procedures to be adopted to address identified errors. I still however remain concerned that errors are still arising and I asked LSANI what further actions it is taking to address these issues. It told me it has enhanced supervisory checks, is finalising a comprehensive review of all operating guidance to assessors and has recruited professional trainers who will deliver a rolling programme of training and refresher training to all relevant staff in the current year and subsequent years. The Agency also told me that it continues to deploy significant resource to continue to drive down official error.

³ The Legal Aid Assessment Office was part of the Working Age Group in the Department for Communities but transferred to LSANI on 4 March 2019.

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

14. Until LSANI progresses other aspects of its work on fraud and error, it cannot provide me with an estimate of the level of fraud and overpayments arising from errors made by claimants and practitioners in legal aid expenditure. There are two aspects to the limitation in scope in respect of fraud and errors made by claimants and legal practitioners. There was insufficient evidence to support the:
- eligibility of certain legal aid applications; and
 - completeness and accuracy of payments to legal practitioners.

Eligibility

15. Whilst some assurance was gained by LSANI from SAU's testing on official errors made in eligibility assessments, consideration of other aspects still need to be addressed. Means tested legal aid carries a risk that legal aid is granted to individuals who are not eligible if income details are misstated on initial application, or if changes in financial circumstances that arise during the case are not reported by the claimant. LSANI depends significantly upon third parties to verify the eligibility of legal aid applications. In criminal cases, a judge decides upon an applicant's eligibility following LSANI's checking as to whether an applicant is in receipt of the benefit the applicant has 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.
16. In civil cases, solicitors and LSANI assess eligibility. The complexity of civil legal aid schemes gives scope for fraud or error in assessing eligibility. My main concerns relate to eligibility:
- 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.
17. LSANI has invested considerable resources to develop a robust strategy to counter fraud and error, working with the DfC to develop an estimate of the levels of fraud and error in the system. Applicant fraud and error testing commenced in January 2021 and plans are in place to test applicant entitlement in live cases along with practitioner fraud and error during 2021-22. The interview and review of claimant applications was planned through home visits to claimants, but in light of the Covid-19 pandemic, these will now have to be conducted remotely and via telephone communication.

Limitation in scope arising from insufficient evidence that material fraud and claimant and legal practitioner error did not exist within legal aid expenditure (continued)**Payments to legal practitioners**

18. The nature of the legal aid scheme, in making payments to legal practitioners for services, which are provided directly to claimants, creates difficulties for LSANI in determining whether the services were appropriately provided, or if overpayments have been made. Currently, LSANI does not produce an estimate of the likely scale of overpayments or underpayments made to legal practitioners resulting from fraud and error by claimants or practitioners.
19. Under the current legislation, LSANI does not have any powers to carry out inspections in the offices of legal practitioners involved in legal aid cases. This is a critical gap in the counter fraud arrangements. While the Statutory Registration Scheme is not a counter-fraud initiative, the powers LSANI will acquire in its quality assurance role under the Scheme will enable it to inspect documentation in the offices of legal aid practitioners. This is an essential element of ensuring that publicly funded legal services deliver value for money and its absence undermines LSANI's ability to implement a robust quality assurance process. The Access to Justice Order 2003 provided for the introduction of such a scheme.
20. It is concerning that nearly 20 years later the scheme is still not in place, however the Department has recently commenced work to bring forward a Statutory Registration Scheme for Legal Aid Practitioners in Northern Ireland and hopes to lay the legislation required by March 2022 with implementation of the scheme in the second half of 2022. I will continue to monitor this situation.
21. I have limited the scope of my audit opinion on the regularity of expenditure in 2020-21 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 claimants and legal practitioners.

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

22. Note 12 to LSANI's accounts includes a provision for obligations to settle costs incurred by the legal profession in providing legal advice and assistance to claimants that arise from the issue of certificates granting legal aid for specific cases. The provision is calculated as the best estimate of the expenditure required to settle the obligation, on a case by case basis, for work estimated to be associated with such cases. LSANI estimates the value of unbilled live cases each year and at 31 March 2021, this provision (split between Criminal and Civil cases) amounted to £157.4 million as outlined in Figure 3 below.

Figure 3: Provision for legal aid liabilities at 31 March

	2021 £ million	2020 £ million	2019 £ million	2018 £ million	2017 £ million
Criminal	51.1	49.9	44.6	39.5	47.2
Civil	106.3	102.5	91.2	96.2	98.8
Total	157.4	152.4	135.8	135.7	146.0

Source: LSANI Annual Report and Accounts 2017-18 - 2020-21

23. LSANI's previous case management system did not have a consistent methodology for closing cases and had over 1 million open cases, for which a number of assumptions were used to identify the current live cases. In addition, as cases could not be confirmed as being closed, average cost information was not fully reliable.
24. To address these concerns, LSANI introduced the Legal Aid Management System (LAMS) in July 2019, which has greatly enhanced the ability of LSANI to identify the relevant cases and provide underlying reporting from the system so eliminating much of the intensive manual work previously conducted. In August 2020, LSANI introduced the LAMS's auto-close function which automatically closes all fully paid cases when a set of pre-defined conditions have been met including payment in full. This has cleansed the volume of cases held on LAMS, allows for fully paid cases to be excluded from provisions and for current average costs to be assessed more readily, as their estimation is based on the record of closed cases within LAMS. At 31 March 2021, just over 62,000 open cases exist.
25. A number of issues still however exist as to how data has been migrated from the old case management system to LAMS, including migrated cases remaining inactive or those cases that had been granted a legal aid certificate but did not proceed for a number of reasons. As a result, a large number of cases that might be construed to have a potential future liability do not - at 31 March 2021, there are approximately 6,000 cases with a carrying value of £22 million (included as part of the total provisions figure of £157.4 million) which are uncertain and LSANI is writing to practitioners in respect of these cases to ascertain the position of each for future years. Whilst significant progress has been made in addressing this part of the audit qualification, this issue still needs to be resolved. In addition, as there continues to be a certain amount of volatility within the average cost calculations which is likely to even out in future years as more data is added on closed cases, I still do not have sufficient assurance on the value of provisions at year end.

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

26. Most legal aid provisions are calculated using LAMS (£126.6 million) however more complex cases are valued outside of LAMS (£30.8 million). Whilst I have sufficient assurance on the assumptions used to calculate £20.2 million of provisions valued outside of LAMS, I do not have sufficient audit assurance over:

- average case costs applied in some of these complex cases, which have increased from £8.4 million in 2019-20 to £10 million in 2020-21; and
- whether the recognition of a liability for a further £0.6 million was appropriate.

These estimates, both LAMS (£126.6 million) and outside of LAMS (£10.6 million), introduce an unacceptable level of uncertainty and error totalling £137.2 million out of total legal aid liabilities of £157.4 million at 31 March 2021.

27. Significant work has been undertaken by LSANI to improve the provisions model and it is continuing to work towards providing a reasonable estimation of future legal aid liabilities. Its future plans for further work on LAMS and the provisions model will help refine the estimation of legal aid liabilities further, particularly once the LAMS' functionality is fully utilised. Considerable progress has been made in recent years in resolving the issues relating to this estimation but further work is needed.

Conclusions

28. 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. Applicant error and practitioner fraud and error testing has commenced in 2021. LSANI has estimated £5.6 million of over and underpayments for legal aid which was irregular during 2020-21 due to official error. I expect this to continue to decrease in future years as LSANI works to address the issues identified. Only when LSANI is able to determine an estimate for applicant and practitioner fraud and error, and the underlying causes, can it act to improve its preventative and detective controls to protect public money. There is still much work to be undertaken by LSANI in the coming years and tangible progress is essential.
29. The Department and LSANI have revised the methodology for determining legal aid provisions, which provides a more robust estimation of legal aid liabilities as case numbers are now based on active cases and average costs calculated on the basis of fully paid closed cases. There is still however insufficient audit evidence to support the completeness and accuracy of the provision and LSANI is working with the profession to address these issues.
30. Since the Public Accounts Committee's report on the Management of Legal Aid in January 2017, I have tracked progress made on how the recommendations have been implemented. LSANI has recently attended the Justice Committee to provide evidence on its work in addressing my qualifications. I will continue to keep this under review.



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