NORTHERN IRELAND Legal Services Commission

Annual Report and Accounts

For the year ended 31 March 2015

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Northern Ireland Legal Services Commission
Annual Report and Accounts
For the year ended 31 March 2015

Laid before the Northern Ireland Assembly under
Schedule 1, paragraph 4 of the Legal Aid and Coroners' Courts Act
(Northern Ireland) 2014

on
15 March 2016

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The Commission's Mission and Aim

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

The Commission's aim was to provide high quality, customer focussed services that target those in greatest need and demonstrate value for money.

Foreword

On behalf of the Northern Ireland Legal Services Commission ("the Commission"), I am pleased to present the Annual Report and Accounts for 2014/15 which record the operational and financial targets achieved in the 2014/15 financial year.

The Commission was a Non-Departmental Public Body (NDPB) of the Department of Justice (DOJ) established under the Access to Justice (Northern Ireland) Order 2003. The Commission was dissolved by the Legal Aid and Coroners' Court Act (Northern Ireland) 2015 on 1 April 2015 and a new Executive Agency within the DOJ – Legal Services Agency Northern Ireland (LSANI), was established and assumed responsibility for administering legal aid in Northern Ireland. The Legal Aid and Coroners' Act requires the DOJ to prepare the annual accounts and report for the Commission in respect of the financial year 2014/15. This final annual account and report has been produced by LSANI reflecting how the Commission conducted its business in 2014/15.

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

The Commission delivered its services against a challenging background, working closely with its sponsor Department in taking forward the actions required to implement Ministerial decisions on the Access to Justice Review 2011, including preparations to move to Executive Agency status on 1 April 2015. This involved consideration of important changes to legal aid policy and legislation in addition to the basic arrangements for the administration of publicly-funded legal services. The Commission faced significant challenges in delivering legal aid against a difficult funding environment. In-year the Commission sought and secured considerable additional funding to address the shortfall in budgetary provision against its forecasted liabilities.

The LSANI will face similar challenges in 2015/16. The new Agency will respond positively and effectively to these challenges.

P Andrews
Chief Executive
LSANI

Strategic Report

1. The Commission's Business

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

The Commission was responsible for applying statutory tests to determine whether an individual should receive civil legal aid and it also paid for the legal services provided. While the judiciary granted individuals criminal legal aid, the Commission paid for the legal services provided. From November 2012 the responsibility for Legal Aid Reform was assumed by the DOJ. The Commission worked closely with the DOJ on a programme of legal aid reform arising from the Access to Justice Review and participated in the commissioning of the Access to Justice Review 2. The Commission also worked with the DOJ on remuneration reform for civil and criminal fees.

The Commission provided demand-led access to the civil and criminal justice systems, within its budget allocation. In 2014/15 the Commission and the Courts authorised some 93,200 approvals for assistance funded by legal aid. In 2013/14 the corresponding figure was some 90,500 approvals. This represented an increase in volume of cases of 3% year-on-year. The increase in volume was entirely attributable to an increase in the volume of advice and assistance cases registered. Cash expenditure increased by £0.7m and is discussed in the Operating and Financial Review.

2. The Board

The work of the Commission was overseen by a Board of Commissioners. A transitional Board of Commissioners arrangement was put in place pending the dissolution of the Commission and the establishment of LSANI on 1 April 2015. The transitional Board of the Commission had experience in, or knowledge of, providing services in civil and criminal matters, the work of the courts, consumer affairs, social conditions, governance and financial accounting.

The following members served on the Board during the year to 31 March 2015.

Mr Ronald Spence CB (re-appointed Chair for 8 months to 31 March 2015)

Mrs Fiona Donnelly (re-appointed for 8 months to 31 March 2015)

Mrs Hilary McCartan (re-appointed for 8 months to 31 March 2015)

Mrs Gillian McGaughey (re-appointed for 2 months to 31 March 2015)

From June 2014 the following members served as Independent Board Members (IBMs) undertaking a shadow and development role during the transitional phase in anticipation of their appointment to the LSANI Board.

The IBMs were appointed by the DOJ.

Mr Allen McCartney	(appointed in July 2014)
Professor John Morison	(appointed in July 2014)
Mr Stephen Wooler CB	(appointed in July 2014)

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

During 2014/15 the Commission worked through the oversight of the Board, Reform Committee and the Audit & Risk Committee. These Committees were chaired by members of the Commission and attended by Commission senior managers, as appropriate. A representative from the Sponsor Division of the DOJ at Deputy Director level also attended the Board and Committees. These Committees were charged with overseeing the operational, policy development and administrative functions of the Commission.

Additional panels and committees comprising independent legal representatives met in 2013/14 and 2014/15: These comprised the:

Civil Appeals Panel, and
Special Committee.

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

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

Special Committee: to decide on cases that could not be dealt with by the Legal Aid Committee e.g. an application for legal aid to judicially review a decision of the Appeals Panel.

3. Senior Executives

Mr Paul Andrews served as Chief Executive of the Commission during 2014/15. The day to day work of the Commission was managed by the Chief Executive and three Executive Directors.

4. Statutory Background

The Accounts of the Commission for the period ended 31 March 2015 have been prepared in accordance with paragraph 4 of Schedule 1 to the Legal Aid and Coroners' Courts Act (Northern Ireland) 2014. Prior to the dissolution of the Commission, paragraph 17 of Schedule 1 to the Access to Justice (Northern Ireland) Order 2003 as amended by Schedule 18, Paragraph 160 of the Northern Ireland Act 1998 (Devolution of Policing and Justice Functions) Order 2010 applied.

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

The financial statements have been prepared in accordance with the 2014/15 Government Financial Reporting Manual (FReM) issued by the Department of Finance & Personnel (DFP) and accounts directions issued by the DOJ. The accounting policies contained in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

5. Principal Activities

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

The DOJ, through the Public Legal Services Division (“PLSD”), the Sponsor Body, funded the Commission.

The key activities of the Commission were to:

(a) consider applications for civil legal aid;

(b) assess bills for civil and criminal legal aid, including advice and assistance;

(c) work with the Department to develop and implement reform projects;

(d) make payments and report on expenditure in relation to civil and criminal legal aid;

(e) maintain and develop systems, procedures and relationships which supported these key activities; and

(f) administer an appeals function which dealt with appeals against the refusal of civil legal aid.

In addition to the key activities above, the Commission addressed and responded to the following issues:

- forecasting and related budgetary challenges;

- engagement with the Department's Reform Programme;
- addressing recommendations arising from the Public Accounts Committee (PAC); and
- implementing recommendations contained in the Criminal Justice Inspection report into Corporate Governance.

6. Legislative changes and directions during 2014/15

The following legislative changes, which were relevant to the day to day operation of the Commission, came into effect during 2014/15:

- The Legal Aid (General) (Amendment) Regulations (NI) 2014 SR 2014 No 64 came into effect on 1 April 2014. The amendment required prior authority for any counsel in any court tier, where a civil legal aid certificate was issued. On 13 May 2014, the Commission issued a detailed circular and its own guidance along with guidance issued by the DOJ;

- The Magistrates' Courts and County Court Appeals (Criminal Legal Aid) (Costs) (Amendment) Rules (Northern Ireland) 2014 SR 2014 No 178 came into effect on 26 June 2014. These Regulations made various amendments to the Magistrates' Courts and County Court Appeals (Criminal Legal Aid) (Costs) Rules (Northern Ireland) 2009 which prescribed remuneration for solicitors under the Legal Aid, Advice and Assistance (NI) Order 1981, by revoking specific fees, by making provision for additional fees in specified circumstances, and by introducing new provisions for fees; and

- during 2014-15 the Commission prepared for its change to Agency status, arising from the Legal Aid and Coroners' Courts Act (NI) 2014, Chapter 11 which made provision for the dissolution of the Commission and the transfer of its assets, liabilities and staff to the DOJ. The Legal Aid and Coroner's Courts (2014 Act) (Commencement No 1) Order (NI) 2015 brought certain provisions of the Act into operation with effect from 1 April 2015.

  A series of underpinning Regulations relating to the operational activities of the new Agency going forward were developed and took effect from 1 April 2015. These will be reported in the Agency's first annual report.

7. Future developments

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

In particular during 2014/15 the Commission:

(a) liaised with the Department to develop potential alternative arrangements for funding money damages cases under civil legal aid;
(b) pursued the objective of establishing a statutory registration scheme for all legal practitioners; and
(c) upgraded the Commission's IT systems in preparation for the replacement of the case management system.

The Commission worked closely with its Sponsor in advancing Ministerial decisions on the implementation of the recommendations of the Access to Justice Review, particularly:

- the recommendation that the Commission should cease to be a Non-Departmental Public Body, and its responsibilities should transfer to an Agency Northern Ireland within the Department of Justice. This change required primary legislation and the Legal Aid and Coroners' Courts Bill was introduced in the Northern Ireland Assembly. Following Royal Assent in November 2014 the Commission was dissolved on 31 March 2015, with its responsibilities transferring to the new Legal Services Agency Northern Ireland (LSANI) within the Department of Justice from 1 April 2015;

- Civil Legal Aid: the Commission worked with the DOJ on the implementation of the Departmental Access to Justice Report Action Plan during the course of the year. Work also continued on preparations for the commencement of Civil Legal Services under the Access to Justice Order with a view to civil legal services being introduced on 1 April 2015;

- the Commission worked with the DOJ to ensure that sufficient funding was secured so that the Commission's liabilities could be discharged. The Commission presented the DOJ with forecasts for 2015/16 which indicated that the LSANI would face significant financial pressures in 2015/16 in view of the budget it had been provided for 2015/16. The LSANI will work with the DOJ to manage the financial pressures during 2015/16;

- pursued the objective of establishing a statutory registration scheme for all providers of publicly funded services; and

- the Commission's IT system has been upgraded in preparation for the replacement of the Phoenix case management system. This digitisation project will deliver an up-to-date service delivery function. This will enhance case management, finance, management information and will transform communication with the provider of public funded services.

8. Equality of Opportunity

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

- persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;

- men and women generally;

- persons with a disability and persons without; and

- persons with dependants and persons without.

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

9. Employee involvement

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

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

During 2014/15 the Commission published regular staff bulletins, messages from the Chairman and briefings following senior manager meetings, along with information relating to the move to Agency status. These served as a communications framework to deliver information to staff on a timely basis.

10. Training

In 2014/15 the Commission held 21 (2013/14: 49) training events which were attended by 135 staff and represented 199 (2013/14: 78) net training days. Through the corporate training plan the Commission identified the training which was required across the organisation and reduced the number of ad hoc training events. The Commission facilitated a range of job-specific and general skills training, in addition to desk training, to enable staff to be fully effective in their roles. The introduction of a new IT platform in 2014 provided the facility for staff to undertake individual and corporate training and development via their computer terminals. Significant training was also provided in preparation for the Commission's move to Agency status. Training opportunities were utilised by all grades and across all Directorates.

11. Health & Safety

The Commission was committed to providing staff with an environment that was, as far as possible, safe and free from risk to health. In line with this commitment, the Commission complied with the relevant legislation.

12. Managing attendance

During the year the level of absence due to sickness was 4.4% (2013/14: 6.5%). Days lost per employee were 10.7 compared to 16.2 in 2013/14. The Commission worked continuously to reduce the level of days lost through sickness and absenteeism.

13. Pension Schemes and Liabilities

The Commission contributed to the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme, membership of which was optional for employees. In line with the requirements of International Accounting Standard 19 (IAS 19): Employee Benefits, the 2014/15 financial statements reflect the Commission's proportion of the pension deficit in the NILGOSC scheme. From 1 April 2015, staff transferred to the Principal Civil Service Pensions Scheme (Northern Ireland).

Note 3.3 to the accounts reports a pension deficit for the NILGOSC scheme in 2014/15 of £932k, a service cost of £1,104k and administration cost of £12k. In 2013/14 the scheme recorded a deficit of £96k, service cost of £950k and administration cost of £10k.

At 31 March 2014 the Commission retained an ongoing responsibility for a legacy pension scheme (the Law Society of Northern Ireland Retirement Benefits Scheme, the National Provident Life (NPI) pension scheme) which had transferred to the Commission on its establishment in 2003. The NPI scheme was established to provide pensions for staff of the Legal Aid Department but was closed to new entrants in 1998 when the majority of members transferred to the NILGOSC Scheme. On 12 April 2012 the Commission obtained approval from DFP to make a final payment of £2,488 to the National Insurance Contributions Office (NICO) under instruction from HM Revenue & Customs (HMRC), whereby the Commission was advised by their professional advisers that any further pension liability to the remaining members in the NPI Scheme would be removed. The scheme was finally wound-up in June 2014.

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

14. Going Concern

The Commission operated as a going concern, in spite of significant net liabilities in its accounts. The liabilities of the Commission related to its obligation to pay legal costs against legal aid certificates issued. The Commission was financed from resources voted by the NI Assembly. 2014/15 was a challenging year in relation to funding pressures. The Commission received £36.9m of additional funding from the Department which enabled it to continue processing payments through to the end of the financial year.

Payables reduced by £2,813k compared to the prior year closing position as a result of a retrospective pay accrual being settled in year and additional funding being made available by the department at the year-end.

15. Non-current assets

The movement of non-current assets during the year is set out at notes 7 and 8 to the accounts. Additions to Property, Plant and Equipment (primarily fixtures & fittings) costs in-year of £7k were comparable to spend of £8k in 2013/14. There were £186k of additions in Computer Software costs, compared to £192k in 2013/14. Continuing increased expenditures in 2014/15 were the result of the Commission's Managed Services Contract which included a substantial upgrade to its IT platform and infrastructure.

16. Prompt Payment

With respect to its operating costs, the Commission aimed to pay all properly rendered invoices in accordance with the terms of the relevant contracts or within 10 working days. Reviews conducted to measure how promptly the Commission paid its bills under the new Account NI regime found that 85.9% (2013/14: 80%) of all properly rendered bills (excluding payments of programme costs) were paid within this standard. Payments within 30 calendar days achieved 92.9%. Payments of programme costs are exempt from the Better Payment Practice Code.

17. Receipts

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

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

18. Charitable Donations

As a public body, the Commission did not make any charitable donations in 2014/15. (There were no donations in 2013/14).

19. Board Member Responsibilities

The responsibilities of Board Members were set out in the Management Statement issued by the DOJ in May 2012. Members had corporate responsibility for ensuring that the Commission operated within any statutory requirements for the use of public funds.

20. Auditors

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (“C&AG”), who heads the NIAO and is appointed by statute and reports to the Assembly.

The estimated fee for the audit of the 2014/15 financial statements is £60,000 (2013/14: £60,000).

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

21. Disclosure of Audit Information

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

22. Risk Management and Register

Operational and project risks were managed and reviewed by departmental managers as part of normal business activity and as part of quarterly Stewardship Statement reporting. Supporting departmental risk registers, project risk logs and a corporate risk register were maintained, with the Commission's corporate risks managed and reviewed by senior management and the Board. Oversight was exercised by the Audit & Risk Committee and the Board in line with the Commission's Risk Management Policy and internal review procedures.

23. Statement on Information Risk

The Commission monitored and assessed potential information security risks through a formal framework of risk management, information asset registers, quarterly Information Asset Owner (IAO) reporting, security incident reporting and oversight by the designated Senior Information Risk Owner (SIRO). The Commission improved alignment of its information assurance policies and procedures with that of the Department. It also developed much stronger links with DOJ Security Branch through membership of the Departmental Security Manager's Forum. All new staff receive information security awareness training as part of their induction and information security awareness sessions were undertaken for all existing staff. There were no incidences of loss of information assets or personal data during 2014/15 which required to be reported to the Information Commissioner's Office.

24. Commission Members' Interests

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

25. Environmental and Sustainability Initiatives

The Commission remained committed to securing services that were environmentally friendly, to the procurement of goods which could be recycled where possible and to the employment of business processes which had a minimal environmental impact. The Commission issued a significant amount of correspondence electronically with plans to increase this in the future. All staff were connected to network printers to permit both electronic scanning of documents and duplex printing for any physical copies that were required. The recycling of significant numbers of printer and copier toner cartridges also provided an example of this commitment. The Commission used the government recycled waste contractor for collection of all recyclable waste including glass, paper, cardboard, plastics and metals. The Commission also provided appropriate data in support of the Carbon Reduction Commitment (CRC) initiative led by the DOJ.

26. Social and Community Issues

The Commission developed and implemented a communications strategy in support of the reform programme, which focussed on the needs of the public, suppliers of legal services and other key stakeholders.

Under this programme the Commission worked on the following areas:

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

In addition, the Commission supported a range of projects which were being taken forward by the DOJ.

27. Complaints

The Complaints Policy and Procedures regarding the administration of Civil and Criminal Legal Aid are designed 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 25 complaints recorded for the Commission during 2014/15 and these were mainly concerned with process or delay. Of these, 24 were closed in 2014/15; one complaint carried over into 2015/16 and has subsequently been closed.

Complaints can be made to:

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

Telephone: 028 9040 8888
Email: enquiries@lsani.gov.uk

28. Off-Payroll Payments

The Commission made no off-payroll payments in 2014/15.

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Paul Andrews
Chief Executive and Accounting Officer

16 February 2016

Operating and Financial Review

1. Funding

In order to achieve the Commission's financial objectives for 2014/15, a combination of business planning, budgetary monitoring and control systems operated throughout the Commission. Cost pressures during the year were met by the reprioritisation of budget allocations, effective cost control at directorate level and recycling of efficiency savings into programmes. The Commission developed its risk management approach to business planning, which incorporated financial and other risks into the planning and performance management framework. The risk management arrangements are described more fully in the Governance Statement which forms part of these accounts.

The Commission was resourced by funds approved by the Assembly through the latest comprehensive spending review. Funding in 2014/15 was channelled to the Commission by DOJ through its Sponsor Division.

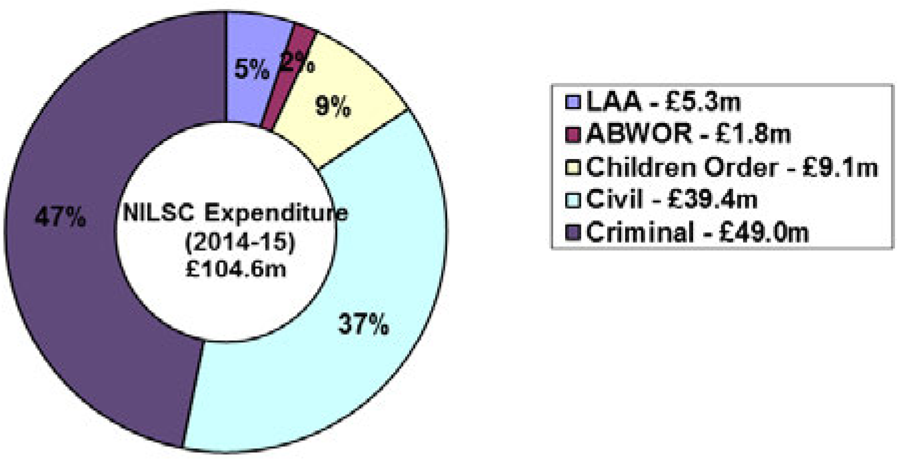
2. The Commission's Budget

Cash Funding

On a cash basis, total expenditure for the Commission for the year to 31 March 2015 was £115,090k. Legal aid cash expenditure on the Fund was £105,786k with an increase of £10k in the bank balances. The Commission received funding from the Department of £104,550k for legal aid with a further £1,246k self-funded from contributions. The remaining cash expenditure of £9,304k related to other programme costs, of which the Commission received funding from the Department of £9,298k with a decrease of £6k in the bank balances.

The subsequent table demonstrates the net cash expenditure in 2014/15 across the legal aid categories.

Legal Aid Fund Net Cash Expenditure



Financial Statements

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

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

The Statement of Comprehensive Net Expenditure shows a net cost of operations of £109.0m (2013/14 £109.2m) of which £101.1m (2013/14 £101.1m) relates to legal aid expenditure which has been provided for.

The operating expenditure table below shows both the cash and resource positions for legal aid expenditure during the year and the civil category includes Law Centre (NI) part funding of £92k and Housing Rights Service funding of £66k.

As demonstrated in the table below, cash expenditure in 2014/15 continued the trend to run ahead of resource expenditure after adjusting for movements in provisions.

Operating expenditure 2014/15 and 2013/14

	2014/15			
	Resource		Cash	
	Spend	%	Spend	%
LAA	£5.3m	5%	£5.3m	5%
ABWOR	£1.7m	2%	£1.8m	2%
Children Order	£10.2m	10%	£9.1m	9%
Civil	£34.2m	34%	£39.4m	37%
Criminal	£49.7m	49%	£49.0m	47%
	£101.1m	**100%**	**£104.6m**	**100%**

	2013/14			
	Resource		Cash	
	Spend	%	Spend	%
LAA	£4.1m	4%	£4.4m	4%
ABWOR	£1.7m	2%	£1.7m	2%
Children Order	£9.4m	9%	£7.8m	7%
Civil	£38.5m	38%	£39.6m	38%
Criminal	£47.4m	47%	£50.4m	49%
	£101.1m	**100%**	**£103.9m**	**100%**

3. Operating Performance in the Year

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

(a) Legal Advice and Assistance (LAA)

This scheme was popularly known as the “Green Form” scheme and allowed an individual to obtain legal advice from a solicitor on a point of Northern Ireland law. This scheme required the individual applicant’s financial eligibility to be assessed by a solicitor and could involve the applicant paying a contribution. While it covered a significant volume of cases, there were some 42,900 acts of assistance in 2014/15 (38,000 in 2013/14), the average costs are relatively small.

(b) Assistance By Way of Representation (ABWOR)

This was an extension of the Advice and Assistance scheme and allowed the solicitor to institute proceedings on behalf of the assisted person in court (normally civil matters or matters relating to children). This scheme involved individual applicant’s financial eligibility being assessed and could involve the applicant paying a contribution. There were some 3,300 acts of assistance in 2014/15 (3,600 in 2013/14).

(c) Children Order

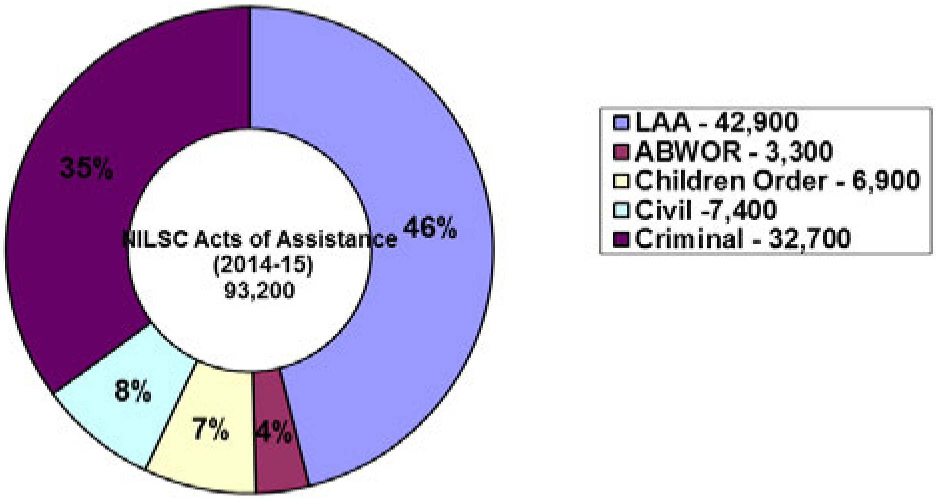
This was a form of ABWOR dealing exclusively with cases brought under the Children Order primarily in the Family Proceedings Court. This scheme involved individual applicant’s financial eligibility being assessed and could involve the applicant paying a contribution. There were some 6,900 acts of assistance in 2014/15 (7,900 in 2013/14).

d) Civil Legal Aid

Civil Legal Aid provided legal representation in civil court proceedings, primarily in the County Court and High Court. Civil Legal Aid allowed someone to obtain legal representation by a solicitor and barrister, either to bring or to defend a court case. This scheme involved an individual applicant’s financial eligibility being assessed and could involve the applicant paying a contribution. There were some 7,400 acts of assistance in 2014/15 (7,000 in 2013/14).

(e) Criminal Legal Aid

Criminal Legal Aid provided free legal representation by a solicitor and barrister to defend someone charged with a criminal offence in the Magistrates’ Court or the Crown Court. An individual’s financial eligibility was assessed by the judiciary who granted criminal legal aid if the applicant’s means were insufficient to fund their own defence and it was in the interests of justice that the applicant received free legal aid. There were 32,700 acts of assistance in 2014/15 (34,000 in 2013/14).



The table below provides the volume of acts of assistance in 2014/15 and 2013/14.

Volume of Acts of Assistance in 2014/15 and 2013/14				
	2014/15	**2014/15**	**2013/14**	**2013/14**
LAA	42,900	46%	38,000	42%
ABWOR	3,300	4%	3,600	4%
Children Order	6,900	7%	7,900	9%
Civil	7,400	8%	7,000	8%
Criminal	32,700	35%	34,000	37%
	93,200	**100%**	**90,500**	**100%**

4. Business Performance

The financial year 2014/15 was the eleventh full year since the Commission came into existence. The Business Plan was prepared within the context set by the Northern Ireland Executive's Programme for Government 2011-15 and especially the Minister of Justice's reform programme. The Business Plan was supported by a detailed Operational Plan which governed the day-to-day business of the Commission.

Resourcing the Business Plan:

The Commission invested in its experienced and committed workforce through a programme of learning and development, consistent with the commitments in the Business Plan and its budget allocation, to ensure that staff had the right skills to deliver the current and future business requirements.

The Commission worked with the Department to address anticipated funding shortfalls in coming years by developing proposals to significantly reduce future legal aid expenditure, which will enable the Legal Services Agency to stay within the available resources.

Determination of new applications for civil legal aid from registration

The Commission recognised that during 2014/15 actual performance for the determination of new applications fell short resulting in non-achievement of the overall target at year end. The main contributing factors have been the need for continual review and scrutiny of the quality of civil legal aid applications submitted and the high instance of emergency applications which have to be given priority (and which surpassed target).

There was also a high volume of means assessments, which were required before applications could be adjudicated upon. These means assessments were undertaken by the Legal Aid Assessment Office (LAAO) of the Northern Ireland Social Security Agency (SSA). The Service Level Agreement (SLA) with the LAAO was reviewed and a revised draft has been agreed. Approximately 35% of applications had to be returned to the applicants and their solicitors as they were incomplete or inadequate.

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

Actual performance for the determination of emergency applications, new applications and appeals against refusals of civil legal aid was ahead or just below the target performance set for the financial year in the Business Plan.

Historically the Commission experienced a high level of appeals against the refusal of civil legal aid where the initial decision not to grant legal aid was taken by staff. The Commission recognised that in the absence of a radical review of the arrangements for handling of civil legal aid appeals, it would be extremely difficult to eradicate the existing backlogs in year and at the same time achieve and maintain the required level of service. In an effort to address the growth in civil legal aid appeals the Commission continued to take steps to increase the number of Appeal Panel meetings and thereby reduce the volume of appeals awaiting decision. The Commission also worked with the Department to establish new Appeal arrangements once the function transfers to an Agency.

Service Performance Standards

Decisions	**Target performance**	**Actual performance as at 31/03/15**	**Comments**
Determination of emergency applications and non-means or merits Children Order proceedings from date of receipt.	*90% determined within 3 days of receipt*	*94%*	*Achieved*
Determination of new applications for civil legal aid from registration.	*80% determined within 6 weeks from registration*	*77%*	*Close to target, not achieved*
Listing of appeals against the refusal of civil legal aid from date of receipt.	*75% of appeals under the current arrangements to be listed within 30 weeks of receipt* *85% of appeals under revised arrangements to be listed within 20 weeks of receipt*	*98%*	*Achieved*

The Commission applied the payment targets below from 1 April 2014. The restrictive nature of budgetary funding available in the first six months of 2014/15 resulted in a requirement to carefully manage available funding. This had a considerable negative impact on the authorisation process, resulting in significant shortfalls against the achievement of the targets that had initially been set.

Payments	**Target performance**	**Actual performance as at 31/03/15**	**Comments**
Authorisation of taxed cases for payment from date of receipt	*75% within 4 weeks of receipt*	*38%*	*Below target, not achieved*
Authorisation of standard fees for payment from date of receipt. Covers: Civil cases, Civil Taxed cases; Civil Article 3 cases, certain LAA fees; Criminal Crown Court 2005/2011 rules, Criminal Magistrates Court 2009 rules.	*75% within 6 weeks of receipt*	*33%*	*Below target, not achieved*
Authorisation of non-standard fees for payment from date of receipt. Covers: ABWOR, certain LAA fees; LAA Pace and Children Order cases.	*75% within 12 weeks of receipt*	*24%*	*Well below target, not achieved*
Payments (Legal Aid Fund) from date of authorisation	*95% within 7 working days from authorisation*	*99%*	*Above target, achieved*

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Paul Andrews
Chief Executive and Accounting Officer

16 February 2016

Remuneration Report

Remuneration Policy

Unless otherwise stated below, officials employed by the Commission held appointments which were open-ended until they retired. Staff members were appraised annually against a set of competencies and individually targeted objectives. In the financial year to 31 March 2015, Board members' remuneration was determined by the DOJ**.**

Committee Members

Committee members are remunerated for time spent on Commission duties. They received fees and reimbursements of expenses only, with no pension contributions and no other benefits. During 2014/15 committee members were paid £111k in total (2013/14: £148k). Committee members formed a pool of advisors that support corporate governance and independence of decision-making by the Commission in respect of the provision of Legal Aid. Their primary purpose was to service the appeals function within the Commission. At 31 March 2015, 17 Committee members were involved in providing professional input across a range of the Commission's activities, which covered both civil and criminal cases. The following panels and committees (composed of Committee Members) operated in 2014/15:

- Civil Appeals Panel - (to hear appeals against the refusal of legal aid certificates);
- Special Committee - (to decide on cases that cannot be dealt with by the Legal Aid Committee eg: an application for legal aid to judicially review a decision of the Appeals Panel).

Other panels / committees now composed almost entirely of Commission staff included:

- 1992 Rules Panel;
- Criminal Review and Criminal Exceptionality (combined)
- Statutory Exceptional Grant Payments (SEGP) (including Mrs Gillian McGaughey – Board Member)

Commissioner Salaries

During 2014/15, the basic remuneration for the post of Chairman was £25,000 to £30,000. In 2014/15 basic remuneration for Commissioners was in the range £5,000 to £10,000. The commissioners' appointments were dissolved on 31 March 2015. There are no commissioners in the Legal Services Agency Northern Ireland.

Remuneration for the new Independent Board Members (IBMs) is reported in the table on the next page.

Benefits in Kind (Commissioners / IBMs)

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

Commissioners [AUDITED INFORMATION]

Total remuneration for Commissioners / Independent Board Members (IBMs) in year (excluding Employers NIC) is below.

Commissioners	Appointment dates	2014-15	2014-15	2013-14	2013-14
		£'000	£	£'000	£
		Salary	*Benefits in kind (to nearest £100)	Salary	*Benefits in kind (to nearest £100)
Mr Ronald Spence CB	Appointed 28 July 2003; Re-appointed 7 August 2013 (Chairman from 13th September 2010)	25-30	4,100	40-45	1,700
Mrs Fiona Donnelly	Appointed 1 September 2006; Re-appointed 7 August 2013	5-10	0	10-15	100
Ms Hilary McCartan	Appointed 1 September 2006; Re-appointed 7 August 2013	5-10	300	10-15	200
Mrs Gillian McGaughey	Appointed 10 February 2009; Re-appointed 10 February 2012	5-10	0	10-15	0
Ms Breidge Gadd CBE	Appointed 28 July 2003; Appointment expired 31 July 2013	0	0	0-5	0
Mr Miceal McCoy	Appointed 28 July 2003; Appointment expired 31 July 2013	0	0	0-5	800
Mr Joseph Donnelly	Appointed 1 September 2006; Appointment expired 31 August 2013	0	0	0-5	500
Dr Jeremy Harbison CB	Appointed 28 July 2003; Appointment expired 31 August 2013	0	0	0-5	0
Mr Wilson Matthews	Appointed 1 September 2006; Appointment expired 31 August 2013	0	0	0-5	200

IBMs	Appointment dates	2014-15	2014-15	2013-14	2013-14
Mr Allen McCartney	Appointed 1 July 2014	0-5	200	0	0
Prof John Morison	Appointed 1 July 2014	0-5	0	0	0
Mr Stephen Wooler CB	Appointed 1 July 2014	0-5	2,600	0	0

** Benefits in kind relate to payments in respect of travel and subsistence costs*

Chief Executive and Directors Remuneration [AUDITED INFORMATION]

Name and title	Salary	Pension Benefits (nearest £1000)	2014/15 Total (nearest £1000)	Salary	Pension Benefits (nearest £1000)	2013/14 Total (nearest £1000
	£'000	£'000	£'000	£'000	£'000	£'000
Mr Paul Andrews, Chief Executive	***80-85***	***19***	***100-105***	75-80	*19*	95-100
Mrs Josephine Kelly, Director of Corporate Services (to 31/10/2013)	-	-	-	40-45	*12*	50-55
Mrs Sheila McPhillips, Director of Civil Legal Aid	***75-80***	***52***	***125-130***	55-60	2	60-65
Ms Jill Herron Director of Criminal Legal Aid	***60-65***	***6***	***65-70***	60-65	*4*	60-65
Mr Gary Archibald Director of Corporate Services (from 20 November 2013)	***55-60***	***(71)***	***(10-15)***	*20-25 (60-65 full year equivalent)*	*(6)*	*20-25*
Band of Highest Paid Director's Total Remuneration		***80-85k***			**75-80k**	
Median Total Remuneration		***£24,728***			**£18,127**	
Ratio		***3.3***			**4.4**	

The value of pension benefits accrued during the year has been calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights. Mr Gary Archibald partially retired during 2014/15.

Ms Jill Herron was appointed to the role of Director of Criminal Legal Aid on 4 July 2011, on secondment from the DOJ. Salary costs were paid by DOJ and recharged to the Commission on a monthly basis. Ms Herron's contract was for a two year period with a possible one year extension. The planning assumption was for agentisation to be in place on 1 July 2014. This process was delayed until 1 April 2015, and Ms Herron continued in her role as Director of Criminal Legal Aid. The annual charge included related costs for salary, national insurance contributions, pension and VAT.

Mr Gary Archibald was appointed to the role of Director of Corporate Services on 20 November 2013, on secondment from DOJ. Salary costs were paid by DOJ and recharged to the Commission on a monthly basis. The annual charge included related costs for salary, national insurance contributions, pension and VAT. Mr Archibald died on 2 October 2015.

Salaries of Chief Executive and Directors

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

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

The average number of staff employed (including secondees) reduced from 137 in 2013/14 to 129 in 2014/15 with the median salary cost increasing to £24,728.

Benefits in Kind

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

Pension Benefits [AUDITED INFORMATION]

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

Name and title	Accrued pension at pension age as at 31/3/15 and related lump sum	Real increase/ (decrease) in pension and related lump sum at pension age	CETV at 31/03/15 or date of leaving	CETV at 31/03/14 or date of joining	Real increase/ (decrease) in CETV after adjustment
	£'000	£'000	£'000	£'000	£'000
Mr Paul Andrews*, Chief Executive	5-10 plus 0 related lump sum	0-2.5 plus 0 related lump sum	87	68	18
Mrs Sheila McPhillips, Director of Civil Legal Aid	30-35 plus 75-80 related lump sum	2.5-5.0 plus 2.5-5.0 related lump sum	726	642	76
Ms Jill Herron Director of Criminal Legal Aid	25-30 plus 85-90 related lump sum	0-2.5 plus 0-2.5 related lump sum	*562*	531	4
Mr Gary Archibald Director of Corporate Services	25-30 plus 165-170 related lump sum	(5-10) plus 70-75 related lump sum	671	696	(58)

* The pension benefits disclosed above for Mr Paul Andrews are in respect of the NILGOSC pension scheme. Mr Andrews also previously worked in the Northern Ireland Court Service (NICtS) and has accrued pension benefits through the Civil Service Pension (CSP) arrangements. The CSP benefits at 31 March 2010 (being the latest information available from the NICtS annual report and accounts) were £20-25,000 accrued pension at age 60 and £70-75,000 lump sum. Information contained in the 2015-16 Remuneration Report for Legal Services Agency Northern Ireland will include updated disclosures for Mr Andrews in respect of both the NILGOSC and CSP pension schemes.

Pension in respect of Mr Gary Archibald is now in payment in the band £25-30k per annum following a lump sum payment in the band £165-170k.

Pension Benefits

The pension benefits of the Chief Executive and one of the Directors were provided through the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC Scheme). This was a funded scheme which provides benefits on a 'final salary' basis at a retirement age of 65 years (as at 31 March 2015*).* Benefits accrued at the rate of 1/80th of pensionable salary for each year of service to 31 March 2009 and 1/60th of pensionable salary for each year of service from 1 April 2009. The Commission's directors that contribute to the NILGOSC scheme do so at the percentage rate applicable to their pensionable earnings. Additional information is contained within note 3.3 to the Accounts entitled 'Pension costs'.

Two Directors who are on secondment from the DoJ retain membership of the "Classic" Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)). This is a funded scheme which provides benefits on a "final salary" basis at a retirement age of 60 years (as at 31 March 2015). Benefits accrue at the rate of $1/80^{th}$ of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. The Commission's Directors that contribute to the PCSPS (NI) scheme do so at the percentage rate applicable to their pensionable earnings. Further details about NICS pension arrangements can be found at the website www.dfpni.uk/civilservicepensions-ni.

The Commission moved to Executive Agency status on 1 April 2015 and all directors are members of the Principal Civil Service Pension Scheme (Northern Ireland) from that date.

Employee contribution rates for all members for the period covering 1 April 2015 to 31 March 2016 are as follows:

Pay band – assessed each pay period		**Contribution rates –** classic members	**Contribution rates –** classic plus, premium, nuvos and alpha members
From	**To**	**From 1 April 2015 to 31 March 2016**	**From 1 April 2015 to 31 March 2016**
£0	£15,000.99	3.00%	4.60%
£15,001.00	£21,000.99	4.60%	4.60%
£21,001.00	£47,000.99	5.45%	5.45%
£47,001.00	£150,000.99	7.35%	7.35%
£150,001.00 and above		8.05%	8.05%

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and other pension details, include the value of any pension benefit in another scheme and any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction of benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

The real increase in the value of the CETV

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

Compensation and Exit Packages awarded to Staff

There were no compensation scheme payments or exit packages provided in the financial year 2014/15 or in the previous year.

Pay Multiples

The Commission is 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 remuneration of the highest paid director in the Commission in the financial year 2014/15 was £80-85k (2013/14: £75-80k). This was 3.3 times (2013/14: 4.4) the median remuneration of the workforce, which was £24,728 (2013/14: £18,127). In 2014/15 no employees (2013/14: none) received remuneration in excess of the highest paid director. Remuneration ranged from £25k to £80-85k (2013/14: £18k to £75-80k).

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

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Paul Andrews
Chief Executive and Accounting Officer

16 February 2016

Statement of Accounting Officer's Responsibilities

In accordance with paragraph 4 of Schedule 1 to the Legal Aid and Coroners' Act (Northern Ireland) 2014 the LSANI has prepared a statement of accounts in the form and on the basis determined by the Department of Justice (DOJ) reflecting how the Commission conducted its business in 2014/15. The accounts are prepared on an accruals basis and must give a true and fair view of the state of the affairs of the Northern Ireland Legal Services Commission and of its income and expenditure, changes in Taxpayers' Equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the DOJ including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and

- prepare the financial statements on the going concern basis.

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

Governance Statement

Scope of Responsibility

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

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

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

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

Purpose of the Governance Framework

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

The Board considered that, recognising its status as an Arm's Length Body: it complied with all the key principles of the Corporate Governance Code in terms of its composition, leadership, remit, accountability and risk management. The Board operated a Risk Management Policy and ensured that risks were clearly identified and managed in line with the DOJ's agreed risk appetite. A register of interests was maintained for Board members and the agenda for each Board and committee meeting began with a formal declaration (and record) that attendees had no conflicts of interest. Good practice was complied with as representatives from the sponsor Department were invited as observers to attend all Board, Reform Committee and Audit & Risk Committee meetings. This arrangement helped to better inform discussions and strengthen relationships with the Department.

Governance Framework

The work of the Commission was overseen by a Board whose members were appointed by the Justice Minister. The Commission was not subject to any Ministerial directions during the reporting period. The Commission's Corporate Governance Framework document set out the Board and Committee structure and its Scheme of Delegation. The table below sets out the membership of the Board and Committees, along with an outline of the work undertaken by each, the frequency of meetings in 2014-2015 and the individual attendance by members. The Department appointed three Independent Board Members (IBMs) in June 2014 in a shadow and development role in advance of the implementation of the new Legal Services Agency on 1 April 2015. For completeness details of IBM attendance at Board meetings has also been included. The meetings oversaw the strategic direction, operational management, policy development and administrative functions of the Commission. They were attended by relevant Directors and managers as appropriate. Representatives from the Sponsor and the Internal and External auditors also attended as required.

Board or Committee	Membership	Attendance	Key Responsibilities
Board The Board met 12 times in the period April 2014 to March 2015. The Board met 10 times in the period June 2014 to March 2015.	Attendance was as follows: Mr Ronald Spence CB (Chair) Mrs Fiona Donnelly Mrs Hilary McCartan Mrs Gillian McGaughey Attendance of IBMs from June 2014: Mr Allen McCartney Professor John Morison Mr Stephen Wooler CB	 12 10 12 8 10 9 9	Membership of the Board was governed by the Access to Justice (Northern Ireland) Order 2003 (Part 2, paragraph 4). The Access to Justice (Membership for the Northern Ireland Legal Services Commission) Order (Northern Ireland) 2013 which came into force on 1 September 2013 reduced the membership of the Commission to the Chair and three Commissioners. The Board was responsible for ensuring that the Commission fulfilled the aims and objectives set by DOJ and approved by the Minister of Justice, and for promoting the efficient, economic and effective use of staff and other resources. It fulfilled its responsibility by: establishing the overall strategic direction of the Commission within the policy and resources framework determined by DOJ and the Minister of Justice; constructively challenging the Commission Executive Team in their business planning, target setting and delivery of performance against agreed

Board or Committee	Membership	Attendance	Key Responsibilities
			targets; identifying the Corporate Risks that may impact on the delivery of the Commission's objectives; ensuring that the statutory requirements for the use of public funds are complied with; ensuring that it received and reviewed regular financial information concerning the management of the Commission; and delegating the responsibilities to the Committees as set out in the tables below. The Board noted the limitations of the current information systems but considered that generally this did not prevent the Commission from exercising appropriate scrutiny and oversight. The Board recognised that improvements in the Commission's Management Information Systems would also contribute to improvements in forecasting. Monitoring forecast accuracy indicated improvement as the budgetary process is constantly refined and experience is developed. The following are generally in attendance at all Board meetings: Chief Executive, Director of Corporate Services, Director of Civil Legal Services, Director of Criminal Defence, Secretary to the Board, Principal Legal Advisor, PA to Chairman/Chief Executive, Deputy Director PLSD.

Board or Committee	Membership	Attendance	Key Responsibilities
Reform Committee The Committee met on one occasion during the period April 2014 to March 2015.	Attendance was as follows: Mrs Fiona Donnelly (Chair) Mr Ronald Spence CB Mrs Gillian McGaughey Mrs Hilary McCartan	 1 1 1 1	The Committee was responsible for the oversight of the Commission's contribution to the delivery of Civil Reform Projects. Responsibility for progressing these projects was transferred to the DOJ. Due to this change in direction, the Board decided early in 2014 that there was no longer a requirement for the Reform Committee to continue to meet. The following were in attendance at the only Reform Committee meeting held in 2014-15: Chief Executive, Director of Civil Legal Services, Funding Code Manager, Statutory Charge Officer, and Sponsor representative.
Audit & Risk Committee The Committee met 7 times in the period April 2014 to March 2015.	Attendance was as follows: Mrs Hilary McCartan (Chair) Mrs Fiona Donnelly Mrs Gillian McGaughey	 7 7 4	The Committee was responsible for supporting the Board and Accounting Officer by reviewing the comprehensiveness of assurances and reviewing the reliability and integrity of these assurances. It fulfilled this responsibility by ensuring that appropriate arrangements were 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. The following are generally in attendance at all Audit & Risk Committee meetings: Chief Executive, Director of Corporate Services, Business Assurance Manager, PA to Chairman/Chief Executive, Internal Audit Representatives, External Auditors, and Sponsor Department.

Risk Management & Internal Control

The Commission had a well embedded and robust risk management framework in place, with direct involvement of senior managers and staff. Oversight of this was the responsibility of the Audit & Risk Committee. The Commission's arrangements for effective risk management included:

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

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

- the establishment and operation of an effective management structure;
- the establishment and operation of a Board and Committee structure including an Audit & Risk Committee;
- a system of risk assessment and risk management;
- key management controls, including monitoring, supervision and segregation of duties;
- a scheme of delegation which delegates decision-making within set parameters;
- adherence to external legislation, government policies, directions or guidance;

- adherence to accountability reporting to the Sponsor and Department, including Stewardship reporting and information security returns;

- adherence to internal policies, standing orders, documented business procedures and processes;

- an IT system to support business processes and provide relevant management information;

- the provision of an Internal Audit service to support management and provide independent assurance;

- a dedicated counter-fraud team; and

- comprehensive and accessible whistleblowing arrangements.

The Commission reviewed its Corporate Risks as part of the business planning process for 2014/2015. The following three key risks were identified; the improvement of forecasting systems to secure sufficient in-year funding to discharge properly assessed legal aid bills; the need to scope and implement appropriate IT systems to support business needs; and the provision of appropriate evidence to address the external audit qualifications on regularity and provisions;.

Review of Effectiveness of the Governance Framework

The Board undertook a review of its own effectiveness using the National Audit Office Board Evaluation Questionnaire. In February 2013 the full Board of Commissioners carried out an evaluation of its effectiveness drawing on responses to the NAO's Board Effectiveness Questionnaire and the results were included in the 2012/13 Annual Report and Accounts. In August 2013, the Justice Minister appointed four Commissioners as a Transition Board in overseeing the work of NILSC pending the transfer of the Commission's responsibilities to the sponsor Department. The Commission with the agreement of the Minister appointed three Independent Board Members (IBMs) in June 2014 in a shadow and development role in advance of the implementation of the new Legal Services Agency on 1 April 2015. The Transition Board decided in the changing circumstances not to re-run the full NAO Board Evaluation Questionnaire exercise and instead reviewed its effectiveness taking account of the main headings in the NAO questionnaire in March 2014.

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

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

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

In addition the Board reaffirmed the need to maintain momentum and continue to focus on the ongoing work to address audit recommendations in a timely manner. At 31 March 2015, there were no outstanding Priority 1 Internal Audit recommendations. There were six Priority 2 recommendations and one Priority 3 recommendation outstanding. There were three outstanding Priority 1 recommendations for external audit, all of which relate directly to ongoing qualification issues.

Corporate risk management was a standing agenda item for every Board meeting.

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

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

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

Significant Internal Control Issues

Financial Forecasting & Funding Deficit

The Commission commenced the financial year with a projected financial forecast which exceeded the DEL budget allocation. As a result of this deficit and additional financial pressures identified as part of the in-year forecasting process, a further bid for funding was submitted to address the differential in the original forecast for the year. The Department provided significant additional funding to allow the Commission to continue to make payments up to the end of the financial year. The Commission worked closely with the Department to develop and improve the accuracy of the financial forecasting process and respond to external factors impacting on legal aid forecasting. The financial forecast process has adopted a comprehensive four stage methodology. This methodology has introduced a formalised end-to-end system of quality assurance, review and external scrutiny with designated roles and responsibilities. The methodology has been designed to evolve to incorporate lessons learnt and new factors that may arise.

External Audit – Account Qualifications

The Northern Ireland Audit Office (NIAO) confirmed that, although progress has been made, the accounts have been qualified in respect of the following two areas that have been the subject of qualification in previous years:

- a limitation in scope on the regularity of transactions in the period – insufficient evidence to provide assurance that a material amount of legal aid expenditure had not been fraudulently claimed; and

- a limitation in scope regarding the true and fair view of the balance of provisions for legal aid liabilities – insufficient evidence to support the calculation of the provisions estimate.

The Commission had a programme of work to address these qualifications and LSANI will continue this work.

Regularity of expenditure

LSANI remains committed to a range of initiatives to address this qualification. It will continue with a 1% sample check of case files recovered from Criminal and Civil legal aid practitioners and will analyse ways in which this can be more effectively targeted at high risk areas. Work is ongoing to develop an effective methodology for calculating the potential for fraud associated with claims for legal aid. The revised financial form CL4A has improved financial eligibility information being received and addresses a number of weaknesses identified by the NIAO. A financial eligibility pilot process which reviewed a sample of current legal aid certificates to see if applicants remained eligible for legal aid or if their financial circumstances and eligibility had changed has been completed. This initiative addressed a weakness noted by the NIAO and analysis of the pilot has resulted in the LSANI introducing a new Financial Eligibility Team to review and assess whether applicants remain eligible for legal aid taking into account their current financial circumstances.

Provisions

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

Given the complex nature of legal aid provisions and the range of issues which remain outside the Commission's control, providing the necessary levels of assurance to the NIAO to have these qualifications removed remained a significant challenge. LSANI will continue to take forward the work necessary to enhance controls in this area with the aim of removing these qualifications in future years.

Internal Audit

Internal Audit provision for the Commission was delivered through the Departmental Internal Audit team. The audit plan for 2014/15 was completed and an overall satisfactory assurance was given. During the period, the Commission focused on addressing outstanding Internal Audit recommendations. There were no outstanding Priority 1 recommendations at 31 March 2015. The Commission reduced the remaining totals to six Priority 2 recommendations and one Priority 3 recommendation outstanding. Addressing these recommendations remains the focus for the LSANI's Senior Management Team, with oversight of progress being undertaken by the Audit & Risk Committee.

Procurement

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

Accounting Officer Statement on Assurance

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

I acknowledge improvements across the LSANI are needed to address the weaknesses identified through the various areas of assurance and in particular the audit qualifications. I consider that the overall system of internal control, governance and risk management that are within the parameters of my control, are such as provide satisfactory assurance to me in relation to the ability of the LSANI to effectively discharge its governance responsibilities going forward.

………………………………………………………….
Paul Andrews
Chief Executive and Accounting Officer

16 February 2016

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

I certify that I have audited the financial statements of the Northern Ireland Legal Services Commission for the year ended 31 March 2015 under the Legal Aid and Coroners' Courts Act (Northern Ireland) 2014. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Legal Aid and Coroner's Courts Act (Northern Ireland) 2014. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Basis for qualified opinion on regularity

My examination found material weaknesses in controls over fraud prevention and detection at the Northern Ireland Legal Services Commission. The Northern Ireland Legal Services Commission was unable to provide sufficient evidence to enable me to conclude that a material amount of Legal Aid expenditure has not been fraudulently claimed. There were no additional audit procedures that I could undertake to provide me with assurance as to the regularity of this expenditure. The scope of my audit was therefore limited in this respect and I am not able to form an opinion on whether all of the payments on Legal Aid, totalling £105.5 million, were in accordance with the purposes intended by the Assembly and that these financial transactions conformed to the authorities which governed them.

Qualified opinion on regularity

In my opinion, except for expenditure which may have arisen from fraudulent Legal Aid claims or fraudulent Legal Aid costs, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified opinion on financial statements

Provision for Legal Aid liabilities totalling £119 million has been made in the financial statements for the estimated costs required to settle the costs incurred on Legal Aid cases. However the Northern Ireland Legal Services Commission was unable to provide sufficient evidence to support management information used to determine a number of key assumptions and judgements it used to estimate these provisions. Consequently, I was unable to determine if any adjustments to the provision for Legal Aid liabilities were necessary.

Qualified opinion on financial statements

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

- the financial statements give a true and fair view of the state of the Northern Ireland Legal Services Commission's affairs as at 31 March 2015 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and
- the financial statements have been properly prepared in accordance with the Legal Aid and Coroners' Courts Act (Northern Ireland) 2014 and the Department of Justice directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department of Justice directions made under the Legal Aid and Coroners' Courts Act (Northern Ireland) 2014; and
- the information given in the Foreword, the Strategic Report and the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have not received all of the information and explanations that I considered necessary to confirm the appropriateness of certain assumptions used in the calculation of Legal Aid provisions and the regularity of payments to legal professionals referred to above. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

Report

My report on those matters subject to qualification is included on pages 85 to 90.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

19 February 2016

Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

	Note	2014/15 £'000	2013/14 £'000 Restated
Expenditure			
Staff Costs	3	4,083	6,531
Grants	4	232	231
Depreciation	4	582	662
Other expenditure	4	106,630	104,113
Total Expenditure		111,527	111,537
Income			
Income from activities	6	(1,999)	(1,855)
Net Expenditure		**109,528**	**109,682**
Interest Payable	4	4	5
Net expenditure after interest		**109,532**	**109,687**
Reversal of notional charges	5	(573)	(529)
Net expenditure excluding notional charges		**108,959**	**109,158**
Other Comprehensive Expenditure			
Net (gain)/loss on revaluation of property, plant and equipment	7	-	-
Net (gain)/loss on revaluation of intangibles	8	(1)	(8)
Actuarial (gain)/loss on pension liability	3.3	866	(1,898)
		865	**(1,906)**
Total Comprehensive Net Expenditure		**109,824**	**107,252**

All amounts relate to the activities of the Commission.

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

The notes on pages 48 to 80 form part of these accounts.

Statement of Financial Position as at 31 March 2015

	Note	2014/15	2013/14	1 April 2013
		£'000	£'000	£'000
			Restated	Restated
Non-current assets				
Property, plant and equipment	7	153	477	808
Intangible assets	8	249	313	432
Other receivables	10	-	-	10
Total non-current assets		**402**	**790**	**1,250**
Current assets				
Trade and other receivables	10	1,463	2,532	2,163
Cash and cash equivalents	12	37	33	16
Total current assets		**1,500**	**2,565**	**2,179**
Total assets		**1,902**	**3,355**	**3,429**
Current liabilities				
Trade and other payables	13	(2,270)	(5,083)	(8,141)
Provisions	14	(57,137)	(58,642)	(49,601)
Total current liabilities		**(59,407)**	**(63,725)**	**(57,742)**
Non-current assets less Net current liabilities		**(57,505)**	**(60,370)**	**(54,313)**
Non-current liabilities				
Provisions	14	(63,990)	(65,149)	(74,388)
Other payables	13	-	-	(25)
Total non-current liabilities		**(63,990)**	**(65,149)**	**(74,413)**
Assets less liabilities		**(121,495)**	**(125,519)**	**(128,726)**
Taxpayers' equity				
General reserve		(121,498)	(125,528)	(128,735)
Revaluation reserve		3	9	9
Total taxpayers' equity		**(121,495)**	**(125,519)**	**(128,726)**

The financial statements on pages 44 to 80 were approved by the Board of LSANI on 16 February 2016 and were signed on its behalf by;

Paul Andrews
Accounting Officer and Chief Executive
16 February 2016

The notes on pages 48 to 80 form part of these accounts.

Statement of Cash Flows for the year ended 31 March 2015

	Note	2014/15 £'000		2013/14 £'000 Restated
Cash flows from operating activities				
Net operating cost		(108,959)		(109,158)
Adjustments for non-cash transactions	4	105,647		102,273
(Increase)/decrease in trade and other receivables	10	1,069		(359)
Less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	11	(1,983)		(711)
Increase/(decrease) in trade and other payables	13	(2,813)		(3,083)
Less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		(119)		(22)
Use of provisions	14	(106,613)		(99,197)
Net cash outflow from operating activities		**(113,771)**		**(110,257)**
Cash flows from investing activities				
Purchase of property, plant and equipment	7	-		(8)
Purchase of intangible assets	8	(73)		(172)
Net cash outflow from investing activities		**(73)**		**(180)**
Cash flows from financing activities				
Grants from Sponsoring Department		113,848		110,454
Net financing		**113,848**		**110,454**
Net increase/(decrease) in cash and cash equivalents in the period		**4**		**17**
Cash and cash equivalents at the beginning of the period	12	33		16
Cash and cash equivalents at the end of the period	12	37		33

The notes on pages 48 to 80 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

		General Fund	Revaluation Reserve	Total
		£'000	£'000	£'000
		Restated		Restated
Balance at 31 March 2013		**(103,369)**	**9**	**(103,360)**
Change in Accounting Policy		(25,366)	-	(25,366)
Restated balance at 1 April 2013		**(128,735)**	**9**	**(128,726)**
Opening balance adjustment		5	-	5
Grants from Sponsoring Department		110,454	-	110,454
Net operating cost		(109,158)	-	(109,158)
Other comprehensive expenditure		1,898	8	1,906
Transfers between reserves		8	(8)	-
Balance at 31 March 2014		**(125,528)**	**9**	**(125,519)**
Grants from Sponsoring Department		113,848	-	113,848
Net operating cost		(108,959)	-	(108,959)
Other comprehensive expenditure		(866)	1	(865)
Transfers between reserves		7	(7)	-
Balance at 31 March 2015		**(121,498)**	**3**	**(121,495)**

The notes on pages 48 to 80 form part of these accounts.

Notes to the Accounts for the year ended 31 March 2015

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2014/15 Government Financial Reporting Manual (FReM). The accounting policies contained in FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM guidance permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances which pertained to the Commission, for the purpose of giving a true and fair view, has been selected. The particular policies adopted by the LSANI are described below. They have been applied consistently in dealing with items that are considered material in relation to the accounts.

a) Accounting convention

These accounts are presented for the year ending 31 March 2015 to comply with the Accounts Direction issued by DOJ. Prior year accounts have been restated where required and reflected within the relevant primary statements and associated notes.

The financial statements of the Commission for 2014/15 have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets.

b) Property, plant and equipment and intangible assets

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

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

c) Depreciation of Property, Plant and Equipment

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

Fixtures and Fittings	5 – 10 years
Computer Equipment	5 years

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

d) Intangible Assets

The Commission recognised software licences as intangible assets. Purchases of software licences are capitalised as intangible non-current assets where the purchase

Notes to the Accounts for the year ended 31 March 2015

cost of an individual licence exceeds £1,000. Computer systems (bespoke software), developed internally, have been capitalised at the full cost incurred.

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

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

e) Inventories

Consumable inventories held by the Commission were not considered material and were written off in the Statement of Comprehensive Net Expenditure as they were purchased. There was no inventory held in 2014/15 or 2013/14.

f) Operating Income

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

g) Operating leases

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

h) Financial instruments

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

i) Financing – Grants Receivable

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

j) Provisions

The Commission recognised 'provisions' for obligations to settle the costs incurred by the legal profession in providing legal advice and assistance to assisted persons that

Notes to the Accounts for the year ended 31 March 2015

arise from the issue of certificates granting legal aid for specific cases. The provision was calculated at the best estimate of the expenditure required to settle the obligation. Expenditure relating to the creation of provisions was charged to the Statement of Comprehensive Net Expenditure in the year in which the obligation arose.

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

(i) lifecycle of certificates – an analysis of the reports authorised for payment, aged to the certificate granted date, has been undertaken and reviewed to determine a lifecycle per certificate within each business area of the Commission;

(ii) average costs – an analysis of the total costs and total certificates by category within each business area results in an average cost being applied per certificate in the calculation of the provisions, and

(iii) no bills adjustments – it is known that not all certificates result in a cost to the legal aid fund and an analysis of historical data determines a percentage reduction which is then incorporated in the provisions calculations.

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

Change in Accounting Policy

During this financial year the Commission recognised the provision liability as the full estimated cost attached to a legal aid certificate. This is a change in accounting policy from earlier periods when the provision recognised the liability to pay for work completed at the year end, but not yet billed. The change in policy acknowledges that the full obligation arises from the certificate being issued. This change from partial to full provision has resulted in a prior year adjustment with the corresponding figures for 2013/14 being restated. Effects of these adjustments are shown below.

Notes to the Accounts for the year ended 31 March 2015

Statement of Financial Position as at 1 April 2013

	Per 2013/14 Published Accounts	Change in Accounting Policy	Reclassified	1 April 2013 Restated
	£'000	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	808	-	-	808
Intangible assets	432	-	-	432
Trade and other receivables	10	-	-	10
Total non-current assets	**1,250**	**-**	**-**	**1,250**
Current assets				
Trade and other receivables	2,088	-	75	2,163
Cash and cash equivalents	16	-	-	16
Total current assets	**2,104**	**-**	**75**	**2,179**
Total assets	**3,354**	**-**	**75**	**3,429**
Current liabilities				
Trade and other payables	(8,066)	-	(75)	(8,141)
Provisions	(42,738)	(6,863)	-	(49,601)
Total current liabilities	**(50,804)**	**(6,863)**	**(75)**	**(57,742)**
Non-current assets less net current liabilities	**(47,450)**	**(6,863)**	**-**	**(54,313)**
Non-current liabilities				
Provisions	(55,885)	(18,503)	-	(74,388)
Other payables	(25)	-	-	(25)
Total non-current liabilities	**(55,910)**	**(18,503)**	**-**	**(74,413)**
Assets less liabilities	**(103,360)**	**(25,366)**	**-**	**(128,726)**
Taxpayers' equity				
General Fund	(103,369)	(25,366)	-	(128,735)
Revaluation reserve	9	-	-	9
Total taxpayers' equity	**(103,360)**	**(25,366)**	**-**	**(128,726)**

Notes to the Accounts for the year ended 31 March 2015

Statement of Comprehensive Net Expenditure for the year ended 31 March 2014

	Per 2013/14 Published Accounts	Change in Accounting Policy	Reclassified	2013/14 Restated
	£'000	£'000	£'000	£'000
Expenditure				
Staff costs	6,531	-	-	6,531
Grants	231	-	-	231
Depreciation	662	-	-	662
Other expenditure	105,631	(1,518)	-	104,113
Income				
Income from activities	(1,855)	-	-	(1,855)
Interest payable	5	-	-	5
Reversal of notional charges	(529)	-	-	(529)
Net Expenditure	**110,676**	**(1,518)**	**-**	**109,158**
Other Comprehensive Net Expenditure				
Net (gain)/loss revaluation of property, plant and equipment	-	-	-	-
Net (gain)/loss revaluation of intangibles	(8)	-	-	(8)
Actuarial (gain)/loss on pension liability	(1,898)	-	-	(1,898)
Other Comprehensive Net Expenditure	**(1,906)**	**-**	**-**	**(1,906)**
Total Comprehensive Net Expenditure	**108,770**	**(1,518)**	**-**	**107,252**

Notes to the Accounts for the year ended 31 March 2015

Statement of Financial Position as at 31 March 2014

	Per 2013/14 Published Accounts	Change in Accounting Policy	Reclassified	31 March 2014 Restated
	£'000	£'000	£'000	£'000
Non-current assets				
Property, plant and equipment	477	-	-	477
Intangible assets	313	-	-	313
Total non-current assets	**790**	**-**	**-**	**790**
Current assets				
Trade and other receivables	2,467	-	65	2,532
Cash and cash equivalents	33	-	-	33
Total current assets	**2,500**	**-**	**65**	**2,565**
Total assets	**3,290**	**-**	**65**	**3,355**
Current liabilities				
Trade and other payables	(5,018)	-	(65)	(5,083)
Provisions	(53,050)	(5,592)	-	(58,642)
Total current liabilities	**(58,068)**	**(5,592)**	**(65)**	**(63,725)**
Non-current assets less net current liabilities	**(54,778)**	**(5,592)**	**-**	**(60,370)**
Non-current liabilities				
Provisions	(46,893)	(18,256)	-	(65,149)
Other payables	-	-	-	-
Total non-current liabilities	**(46,893)**	**(18,256)**	**-**	**(65,149)**
Assets less liabilities	**(101,671)**	**(23,848)**	**-**	**(125,519)**
Taxpayers' equity				
General Fund	(101,680)	(23,848)	-	(125,528)
Revaluation reserve	9	-	-	9
Total taxpayers' equity	**(101,671)**	**(23,848)**	**-**	**(125,519)**

Notes to the Accounts for the year ended 31 March 2015

k) Estimation techniques used and key judgements

The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Commission's accounting policies. The Commission continually evaluated its estimates, assumptions and judgements based on available information and experience. This was particularly relevant in respect of lifecycles, average costs and no bills adjustments applied in arriving at the Provisions calculation referred to at Note (j) above. As the use of estimates was inherent in financial reporting, actual results could differ from these estimates. The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed at Note 3, Pension Costs.

l) Accounting for value added tax

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

m) Third party assets / funds

Awards for damages to funded clients may be required by the Commission to offset any liability to the Programme Costs. The Commission 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 21).

n) Pensions

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

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

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

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

Notes to the Accounts for the year ended 31 March 2015

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

From 1 April 2015, staff previously employed by the Commission transferred to the Principal Civil Service Pension Scheme (Northern Ireland). This change will be addressed in the new Agency's first Annual Report and Accounts for 2015/16.

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

Both schemes provide benefits based on pensionable salary.

Notes to the Accounts for the year ended 31 March 2015

o) Accounting Standards

i) Accounting standards, interpretations and amendments to published standards and FReM - issued and effective in 2014/15 for the first time

Standard	Comments
IFRS 10 – Consolidated Financial Statements IFRS 11 – Joint Arrangements IFRS 12 – Disclosure of Interests in Other Entities IAS 27 – Separate Financial Statements IAS 28 – Investments in Associates and Joint Ventures	The International Accounting Standards Board (IASB) have issued new and amended Standards that affect the consolidation and reporting of subsidiaries, associates, joint ventures and investment entities. These standards are effective with EU adoption from 1 January 2014. Accounting boundaries for IFRS purposes are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on Office of National Statistics control criteria, as designated by Treasury. A review of the Northern Ireland (NI) financial process, which will bring NI departments under the same adaptation, has been presented to the Executive, but a decision has yet to be made. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. Arm’s Length Bodies (ALBs) apply IFRS in full and their consolidation boundary may change as a result of the new Standards. With the continuation of current adaptations, the impact on departments mainly relates to the disclosure requirements under IFRS 12.

Notes to the Accounts for the year ended 31 March 2015

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

In addition, certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Commission's accounting periods beginning on or after 1 April 2015 or later periods, but which the Commission has not adopted early. Other than as outlined in the below, the Commission considers that these standards are not relevant to its operations.

Standard	IFRS 13 – Fair Value Measurement (new)
Description of Revision	IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise). The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. The standard requires fair value be measured using the most reliable data and inputs available to determine the exit price for an asset / liability. This exit price is taken to be the price that two market participants (a buyer and seller) would settle on - based on a hierarchy for input quality. Entities are required to use the most appropriate inputs available to them in determining fair value. The inference is that the higher the quality, the more appropriate the input. IFRS 13 requires additional disclosures where Level 3 inputs are used to assess fair value, to give readers an understanding of the sensitivity of the valuation to changes in those inputs.
Effective Date	1 January 2013 (EU adopted) – FReM 2015/16.
Comments	Although IFRS 13 is applied without adaptation, IAS 16 and IAS 38 have been adapted and interpreted for the public sector context to limit the circumstances in which a valuation is prepared under IFRS 13.

Notes to the Accounts for the year ended 31 March 2015

Standard	IAS 36 – Impairment of assets – recoverable amount disclosures (amendment)
Description of Revision	This amendment, which seeks to address the implications of references to IFRS 13, modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. It clarifies the scope of certain disclosures and removes burdensome and unintended disclosures requirements without reducing the relevance and understand-ability of the financial information.
Effective Date	1 January 2014 (EU adopted) – with a view to include in the final version of the 2015/16 FReM.
Comments	To be considered by HM Treasury with the expectation that it will be applied when IFRS 13 is introduced in the FReM. Any adaptations or interpretations will follow due process and be included in the final version of 2015/16 FReM.

iii) Financial Reporting - Future Developments

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

Standard (amendment/ new)	Effective date and FReM application	Description of revision	Comments
IFRS 15 - Revenue from Contracts with Customers (IAS 18 replacement - Revenue Recognition and Liabilities Recognition)	1 January 2017 (not yet EU adopted) but could be 1 January 2018. With a view to include in the 2017/18 *FReM*.	The disclosure objective of the new Standard is to establish the application principles required for entities to report useful information to the users of financial statements to better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The core principle recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The Standard sets out five steps to recognise revenue and also includes requirements for accounting for contract costs.	The introduction of IFRS 15 is subject to analysis and review by HM Treasury and other Relevant Authorities. A work plan recently began to assess the impact on the public sector.

Notes to the Accounts for the year ended 31 March 2015

Standard (amendment/ new)	Effective date and FReM application	Description of revision	Comments
IFRS 9 - Financial Instruments (new)	1 January 2018 (not yet EU adopted). With a view to include in the 2018/19 FReM.	The objective of the new standard is to provide users with more useful information about an entity's expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date of financial instruments.	The introduction of IFRS 9 is subject to analysis and review by HM Treasury and other relevant Authorities. A work plan has recently started to assess the impact on the public sector.
IAS 17 Leases (replacement)	The IASB plans to issue the new Standard before the end of 2015. FReM inclusion will be subject to consultation.	The current proposals include the elimination of the current operating lease categorisation for virtually all leases. Instead, assets and liabilities will be recognised on a 'right of use' basis. Two possible exemptions are anticipated, one being for short leases (less than 1 year) and the second being for small value assets. The latest update emphasises that service contracts are not required to be capitalised on the balance sheet and that the new Standard will include accompanying guidance to help entities assess whether a contract is (or contains) a lease.	HM Treasury has continued to analyse this process including the project update and consideration of practical implications. HM Treasury and Relevant Authorities will review the implications and follow due process once there is a final Standard.
IAS 1 - Disclosure Initiative (amendment)	1 January 2016 (not yet EU adopted) With a view to include in the 2016/17 FReM.	These amendments encourage professional judgement to be used in determining what information to disclose in financial statements, and where and in what order information is presented in the financial disclosures. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.	HM Treasury and other Relevant Authorities will review the implications of this amendment and follow due process nearer to the EU adoption date. Any substantive changes to the *FReM* will follow normal process.

Notes to the Accounts for the year ended 31 March 2015

Standard (amendment/ new)	Effective date and FReM application	Description of revision	Comments
IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortisation (amendment)	1 January 2016 (not yet EU adopted) With a view to include in the 2016/17 FReM.	This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.	HM Treasury and other Relevant Authorities will review the implications of these changes and follow due process nearer to the EU adoption date. Any substantive changes to the FReM will follow normal due process.

p) Provision for doubtful debts

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

q) Going concern

The Commission is a statutory body established under the Access to Justice (Northern Ireland) Order 2003. The Commission takes the view that the going concern concept applies to these accounts which present the operations of the grant as long as the provisions of the Access to Justice (Northern Ireland) Order 2003 remain extant. The recommendation of the Access to Justice Review was that the Commission ceased as a Non-Departmental Public Body, and its responsibilities should transfer to an Agency within the Department of Justice. This change required primary legislation and the Legal Aid and Coroners' Courts Bill was introduced in the Northern Ireland Assembly. Following Royal Assent in November 2014 the Commission was dissolved on 31 March 2015, with its responsibilities transferring to the new Legal Services Agency Northern Ireland (LSANI) within the Department of Justice from 1 April 2015. The future financing of the Commission's liabilities, with affect from 1 April 2015 will fall to the LSANI, and will be met by grants from the DOJ as voted on by the Assembly.

r) Employee Benefit Accrual

Under the requirements of IAS 19 *Employee Benefits*, staff costs must be recoded as an expense as soon as the organisation is obliged to pay them. This includes the cost of any annual and flexi leave entitlements that have been earned at the year end but not

Notes to the Accounts for the year ended 31 March 2015

yet taken. The cost of untaken annual and flexi leave has been determined by using actual salary costs and the data from staff leave returns at 31 March. It is not anticipated that the level of untaken leave will vary significantly from year to year.

s) Notional Costs

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

t) Segmental Reporting

Under the requirements of IFRS 8 Operating Segments – the Commission must disclose information in a form to enable users of the financial statements to evaluate the nature and financial effects of the business in which it engages and the economic environment in which it operates. Full details of the reporting segments are contained within Note 2 below.

2. Statement of Programme Costs by Operating Segment

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

	2014/15				2013/14 Restated		
	Civil Legal Aid	Criminal Legal Aid	Total		Civil Legal Aid	Criminal Legal Aid	Total
	£'000	£'000	£'000		£'000	£'000	£'000
Gross expenditure	57,355	53,603	110,958		60,093	50,920	111,013
Income	(1,999)	-	(1,999)		(1,855)	-	(1,855)
Net expenditure	**55,356**	**53,603**	**108,959**		**58,238**	**50,920**	**109,158**

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

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

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

Notes to the Accounts for the year ended 31 March 2015

2.1 Reconciliation between Operating Segments and Statement of Comprehensive Net Expenditure

	2014/15				2013/14 Restated		
	Civil Legal Aid	Criminal Legal Aid	Total		Civil Legal Aid	Criminal Legal Aid	Total
	£'000	£'000	£'000		£'000	£'000	£'000
Total net expenditure reported for Operating Segments	55,356	53,603	108,959		58,238	50,920	109,158
Reconciling Items	-	-	-		-	-	-
Total net expenditure per Statement of Comprehensive Net Expenditure	**55,356**	**53,603**	**108,959**		**58,238**	**50,920**	**109,158**

3. Staff numbers and related costs

3.1 Staff costs comprise:

		2014/15		2013/14
	Total	Permanently employed staff	Seconded-in / agency staff	Total
	£'000	£'000	£'000	£'000
Wages and salaries	3,876	3,490	386	4,240
Social security costs	279	254	25	297
Other pension costs	(1,176)	(1,236)	60	1,044
Employer service cost - present	1,104	1,104	-	950
Total Staff Costs	**4,083**	**3,612**	**471**	**6,531**

3.2 Staff numbers comprise:

The average number of whole-time equivalent persons employed in 2014/15 was:

	2014/15	2013/14
Operational staff – permanent	120	135
Secondments / Agency staff	9	2
Total	**129**	**137**

In addition to the 120 full time equivalent persons noted above (124 staff in post at year end), the Commission also retained the services of 4 Commissioners including the Chairman and 3 new IBMs along with 17 Committee Members on a part-time basis at various times during the year as dictated by the requirements of the Commission.

3.3 Pension costs

The Commission operated the Northern Ireland Local Government Officers' Superannuation Committee Scheme (NILGOSC) pension scheme up to 31 March 2015. From 1 April 2015 staff pensions will transfer to the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS (NI)]. Details of the NILGOSC scheme are set out below.

Notes to the Accounts for the year ended 31 March 2015

a) Northern Ireland Local Government Officers' Superannuation Committee Scheme

The Commission makes employer contributions to NILGOSC, a defined benefit funded scheme. Membership of the scheme is optional for employees, but in practice most staff participate in the arrangement.

The latest actuarial valuation of the scheme was carried out in 31 March 2013. Liabilities have been estimated by an independent actuary on the projected unit credit method. A revised version of IAS 19 came into effect for accounting periods commencing on or after 1 January 2013. The changes represent a change in accounting policy (see note 1(v)). These disclosures have been calculated under the revised IAS 19 including the restated prior year. From 1 April 2009 the level of employee contribution to the NILGOSC Scheme has been based on a tiered band scale arrangement.

Staff employed before 1 May 2009 continued to make an employee contribution of 1.5%, with the Commission paying the balance up to the applicable level of employee contribution. Staff employed after 1 May 2009 pay the correct employee contribution to the NILGOSC Scheme. For the period ended 31 March 2015 actual employer contributions of £1,097k were paid to the NILGOSC Scheme at the rate of 20% of pensionable pay. The principal assumptions used by the actuary (Aon Hewitt), in updating the latest valuation of the Fund for IAS 19 disclosure purposes at 31 March 2015 are outlined below.

Assumptions and sensitivity of results:

Key assumptions

	31 March 2015	31 March 2014
Discount rate	3.20%	4.30%
Pension increases	1.80%	2.40%
Pension accounts revaluation rate	1.80%	n/a
Salary increases	3.30%	3.90%

*Salary increases were assumed to be 1% per annum until 31 March 2016, reverting to the long term assumption shown thereafter.

Notes to the Accounts for the year ended 31 March 2015

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies resulting from these mortality assumptions are shown below.

Assumed life expectancy at age 65	31 March 2015	31 March 2014
Males		
Member aged 65 at accounting date	22.2	22.1
Member aged 45 at accounting date	24.4	24.3
Females		
Member aged 65 at accounting date	24.7	24.6
Member aged 45 at accounting date	27.0	26.9

Asset allocation

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

	Asset split at 31 March 2015	Asset value at 31 March 2015	Asset split at 31 March 2014	Asset value at 31 March 2014
	% p.a.	£'000	% p.a.	£'000
Equities	73.0%	17,987	74.2%	15,497
Property	12.6%	3,105	11.2%	2,339
Bonds	12.2%	3,006	12.0%	2,506
Cash	2.0%	493	2.6%	544
Other	0.2%	49	0.0%	0
Total	**100.0%**	**24,640**	**100.0%**	**20,886**

The above asset values as at 31 March 2015 are at bid value as required under **IAS 19.**

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

Reconciliation of funded status to Statement of Financial Position (SOFP)

	Value as at 31 March 2015	Value as at 31 March 2014
	£000	£'000
Fair value of assets	24,640	20,886
Present value of funded defined benefit obligation	25,572	20,982
Funded status	**(932)**	**(96)**

Notes to the Accounts for the year ended 31 March 2015

Changes to the fair value of assets

		Year ending 31 March 2015		Year ending 31 March 2014
		£000		£'000
Opening fair value of assets		**20,886**		**19,272**
Interest income on assets		918		879
Remeasurement gains/(losses) on assets		1,879		235
Contributions by employer		1,127		672
Contributions by participants		97		85
Net benefits paid out		(267)		(257)
Closing fair value of assets		**24,640**		**20,886**

Changes to the present value of defined benefit obligation

		Year ending 31 March 2015		Year ending 31 March 2014
		£000		£'000
Opening defined benefit obligation		**20,982**		**20,919**
Current service cost*		1,116		960
Interest expense on defined benefit obligation		899		938
Contributions by participants		97		85
Actuarial (gains)/losses – financial assumptions		2,832		(684)
Actuarial (gains)/losses – demographic assumptions		-		(488)
Actuarial (gains)/losses – liability experience		(87)		(491)
Net benefits paid out		(267)		(257)
Closing defined benefit obligation		**25,572**		**20,982**

* Allowance of £0.012m for administration expenses is included in the current service cost.

Breakdown of amounts recognised in Other Comprehensive Expenditure (OCE)

		Year ending 31 March 2015		Year ending 31 March 2014
		£000		£'000
Remeasurement (gains)/losses on assets		(1,879)		(235)
Actuarial (gains)/losses – financial assumptions		2,832		(684)
Actuarial (gains)/losses – demographic assumptions		-		(488)
Actuarial (gains)/losses – liability experience		(87)		(491)
Total amount recognised in OCE		**866**		**(1,898)**

Actual return on assets

		Year ending 31 March 2015		Year ending 31 March 2014
		£000		£'000
Interest income on assets		918		879
Remeasurement gains/(losses) on assets		1,879		235
Actual return on assets		**2,797**		**1,114**

Notes to the Accounts for the year ended 31 March 2015

Sensitivity Analysis:

The revised IAS 19 requires an organisation to disclose information about the sensitivity of the defined benefit obligation as at 31 March 2015. This does not include a sensitivity of unfunded benefits on materiality grounds.

Funded LGPS benefits				
Discount rate assumption		**Positive**		**Negative**
Adjustment to discount rate		**+0.1% p.a.**	**Base figure**	**-0.1% p.a.**
Present value of total obligation (£000)		24,984	25,572	26,173
% change in present value of total obligation		-2.3%		2.4%
Projected service cost (£000)		1,123	1,159	1,196
Approximate % change in projected service cost		-3.1%		3.2%
Rate of general increase in salaries				
Adjustment to salary increase rate		**+0.1% p.a.**	**Base figure**	**-0.1% p.a.**
Present value of total obligation (£000)		25,806	25,572	25,341
% change in present value of total obligation		0.9%		-0.9%
Projected service cost (£000)		1,159	1,159	1,159
Approximate % change in projected service cost		0.0%		0.0%
Rate of increase to pensions in payment and deferred pensions assumption				
Adjustment to pension increase rate		**+0.1% p.a.**	**Base figure**	**-0.1% p.a.**
Present value of total obligation (£000)		25,969	25,572	25,181
% change in present value of total obligation		1.6%		-1.5%
Projected service cost (£000)		1,196	1,159	1,123
Approximate % change in projected service cost		3.2%		-3.1%
Post retirement mortality assumption				
Adjustment to mortality age rating assumption		**-1 year**	**Base figure**	**+1 year**
Present value of total obligation (£000)		26,261	25,572	24,882
% change in present value of total obligation		2.7%		-2.7%
Projected service cost (£000)		1,193	1,159	1,125
Approximate % change in projected service cost		2.9%		-2.9%

With effect from 1 April 2015, staff transferred from the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme to the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)]. Further details regarding the potential contingent liability associated with this transfer are contained in Note 18.

Notes to the Accounts for the year ended 31 March 2015

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

The Commission sponsored the Law Society of Northern Ireland Retirements Benefits Scheme (NPI Scheme), a defined benefit arrangement. Active members of the scheme transferred to the NILGOSC scheme on 1 May 2004. A full actuarial valuation was carried out at 31 March 2010 by a qualified independent actuary. The scheme is closed to new entrants and there are no active members. There was a net pension liability of £nil at 31 March 2015 (£2k at 31 March 2014). On 12 April 2012, based on advice from the scheme administrators, the Commission obtained approval from DFP to make a payment of £2,488 to the National Insurance Contributions Office (NICO) under instruction from HM Revenue & Customs (HMRC), relieving the Commission of any further liability to the remaining members in the NPI Scheme. Payment was made in April 2012, but HMRC subsequently advised the Commission that further information was required to facilitate full closure. Information was provided and the scheme was formally wound-up in June 2014. The requirement to incorporate details of the Commission's pension scheme as required by IAS 19 is fulfilled in this note.

3.4 Reporting of Compensation Schemes – exit packages

No compensation payments or exit packages were provided in 2014/15 or 2013/14.

Notes to the Accounts for the year ended 31 March 2015

4. Programme costs

	Note	2014/15		2013/14
		£'000		£'000
				Restated
Grants				
Grants to Law Society and Housing Rights		232		231
		232		**231**
Depreciation				
Depreciation	7	331		342
Amortisation	8	251		320
		582		**662**
Other expenditure				
Cash items:				
Staff related costs		41		38
Rentals under operating leases		383		377
Accommodation costs		353		322
Office services		161		277
Contracted out services		71		69
Professional costs		270		161
Audit fees		60		60
Managed services		434		308
Non-capital purchases		15		4
Judicial costs		199		256
Other		109		127
		2,096		**1,999**
Non-cash items:				
Revaluation released to SCNE – PPE, Intangibles	7, 8	-		3
Notional charges	5	573		529
Increase in provision for doubtful debts	11	1,982		711
Provisions: provided for in the year	14	154,234		134,225
Provisions: written back in year	14	(52,248)		(33,423)
Provisions: borrowing costs	14	(19)		59
Provisions: administration costs		12		10
		104,534		**102,114**
Total other expenditure		**106,630**		**104,113**
Interest				
Interest payable and similar charges		4		5
		4		**5**
Total programme costs		**107,448**		**105,011**
Summary of non-cash items				
Pension provisions – employer service cost - present	3	1,104		950
Depreciation and amortisation	7, 8	582		662
Other expenditure		104,534		102,114
Reversal of notional costs	5	(573)		(529)
Staff costs		-		(924)
		105,647		**102,273**

Notes to the Accounts for the year ended 31 March 2015

5. Notional Costs

	2014/15		2013/14
	£'000		£'000
Social Security Agency	520		480
Taxing Master Office	53		49
	573		**529**

6. Income

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

	2014/15		2013/14
	£'000		£'000
Other non-trading income	1,999		1,855
	1,999		**1,855**

Notes to the Accounts for the year ended 31 March 2015

7. Property, plant and equipment

	Furniture & Fittings	Office Equipment	Computer Hardware	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2014	1,146	64	1,879	3,089
Additions	-	-	7	7
Disposals	-	-	(324)	(324)
Revaluation released to SCNE	-	-	(1)	(1)
At 31 March 2015	**1,146**	**64**	**1,561**	**2,771**
Depreciation				
At 1 April 2014	1,128	62	1,422	2,612
Charged in year	6	2	323	331
Disposals	-	-	(324)	(324)
Revaluation released to SCNE	-	-	(1)	(1)
At 31 March 2015	**1,134**	**64**	**1,420**	**2,618**
Carrying amount at 31 March 2015	**12**	**-**	**141**	**153**
Carrying amount at 31 March 2014	**18**	**2**	**457**	**477**
Asset Financing				
Owned	12	-	141	153
Carrying amount at 31 March 2015	**12**	**-**	**141**	**153**

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

Notes to the Accounts for the year ended 31 March 2015

8. Intangible assets

Computer Software and Licences	Total
	£000
Cost	
At 1 April 2014	1,744
Additions	186
Disposals	(46)
Indexation	1
At 31 March 2015	**1,885**
Amortisation	
At 1 April 2014	1,431
Charged in year	251
Disposals	(46)
Indexation	-
At 31 March 2015	**1,636**
Carrying amount at 31 March 2015	**249**
Carrying amount at 31 March 2014	**313**
Asset Financing	
Owned	249
Carrying amount at 31 March 2015	**249**

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

Notes to the Accounts for the year ended 31 March 2015

9. Financial instruments

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

IFRS 7, Financial Instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of the Commission's activities and the way in which the Commission is financed, the Commission is not exposed to the degree of financial risk faced by business entities. As permitted by IFRS 7, the Commission has elected to exclude from disclosure all receivables and payables which mature or become payable within 12 months from the Statement of Financial Position date.

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

Interest rate risk
The Commission is not exposed to significant interest rate risks.

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

	Total	Floating-Rate Financial Assets	Fixed-Rate Financial Assets	Non-Interest Bearing Financial Assets	Weighted-Average Interest rate	Weighted-Average Period for which Rate is Fixed	Weighted-Average Period until Maturity
	£'000	**£'000**	**£'000**	**£'000**	**%**	**Years**	**Years**
Gross Financial Assets							
Currency - Sterling							
At 31 March 2015	37	**-**	37	**-**	**-**	**-**	**Note a**
At 31 March 2014	33	-	33	-	-	-	Note a
At 31 March 2013	16	-	16	-	-	-	Note a

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

Foreign currency risk

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

Notes to the Accounts for the year ended 31 March 2015

Fair values

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

Primary financial instruments		Book value		Fair value
		£'000		£'000
Financial assets:				
Cash at bank at 31 March 2015		37		37
Cash at bank at 31 March 2014		33		33
Cash at bank at 31 March 2013		16		16

10. Trade receivables and other receivables

10 (a) Analysis by type

	2014/15		2013/14		1 April 2013
	£'000		£'000		£'000
			Restated		Restated
Amounts falling due within one year:					
Trade receivables: Costs	2,077		1,653		1,406
Statutory Charge	1,722		1,197		684
Contributions	1,436		1,577		1,543
Other	144		139		136
Prepayments	121		221		163
	5,500		4,787		3,932
Doubtful debt provision	(4,037)		(2,255)		(1,769)
	1,463		**2,532**		**2,163**
Amounts falling due after more than one year:					
Trade receivables: Other	-		-		10
Total	**1,463**		**2,532**		**2,173**

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

10 (b) Intra-Government balances

	2014/15		2013/14		1 April 2013
	£'000		£'000		£'000
			Restated		Restated
Amounts falling due within one year:					
Balances with bodies external to government	1,463		2,532		2,163
Amounts falling due after one year:					
Balances with bodies external to government	-		-		10
Total receivables at 31 March	**1,463**		**2,532**		**2,173**

Notes to the Accounts for the year ended 31 March 2015

11. Doubtful debt provision

	2014/15		2013/14
	£'000		£'000
As at 1 April	2,255		1,769
Doubtful debts written off	(209)		(239)
Doubtful debts written off subsequently recovered	8		14
Increase in provision	1,983		711
As at 31 March	**4,037**		**2,255**

12. Cash and cash equivalents

	2014/15		2013/14
	£'000		£'000
Balance at 1 April	33		16
Net change in cash and cash equivalents	4		17
Balance at 31 March	**37**		**33**

The following balances at 31 March were held at:

	2014/15		2013/14		1 April 2013
	£'000		£'000		£'000
Commercial banks and cash in hand	37		33		16
Balance at 31 March	**37**		**33**		**16**

13. Trade payables and other payables

13 (a) Analysis by type

	2014/15		2013/14		1 April 2013
	£'000		£'000		£'000
			Restated		Restated
Amounts falling due within one year:					
Other taxes and social security	83		65		75
Trade and other payables	1,558		1,497		3,641
Accruals and deferred income	629		3,521		4,425
	2,270		**5,083**		**8,141**
Amounts falling due after more than one year:					
Other payables, accruals and deferred income	-		-		25
Total	**2,270**		**5,083**		**8,166**

Notes to the Accounts for the year ended 31 March 2015

13 (b) Intra-government balances

	2014/15		2013/14		1 April 2013
	£'000		£'000		£'000
			Restated		Restated
Amounts falling due within one year:					
Balances with other central government bodies	344		340		282
Balances with bodies external to government	1,926		4,743		7,859
	2,270		**5,083**		**8,141**
Amounts falling due after more than one year:					
Balances with bodies external to government	-		-		25
Total payables at 31 March	**2,270**		**5,083**		**8,166**

14. Provision for liabilities and charges

	Civil Legal Aid	Criminal Legal Aid	Pension Liability	Other	Total
	£'000	£'000	£'000	£'000	£'000
2014-15					
Balance at 1 April 2014	88,091	35,447	96	157	123,791
Provided in the year	82,044	71,150	1,116	1,040	155,350
Actuarial (gain)/loss	-	-	866	-	866
Provisions not required written back	(30,798)	(21,450)	-	-	(52,248)
Provisions utilised in the year	(56,566)	(48,889)	(1,127)	(31)	(106,613)
Provisions borrowing costs	-	-	(19)	-	(19)
Balance at 31 March 2015	**82,771**	**36,258**	**932**	**1,166**	**121,127**
	£'000	£'000	£'000	£'000	£'000
2013-14 Restated					
Balance at 1 April 2013	62,123	33,524	1,647	1,329	98,623
Change in accounting policy	22,558	2,808	-	-	25,366
Balance at 1 April 2013 restated	84,681	36,332	1,647	1,329	123,989
Provided in the year	74,875	58,426	960	-	134,261
Actuarial (gain)/loss	-	-	(1,898)	-	(1,898)
Provisions not required written back	(21,400)	(10,999)	-	(1,024)	(33,423)
Provisions utilised in the year	(50,065)	(48,312)	(672)	(148)	(99,197)
Provisions borrowing costs	-	-	59	-	59
Balance at 31 March 2014	**88,091**	**35,447**	**96**	**157**	**123,791**

Notes to the Accounts for the year ended 31 March 2015

Amounts falling due within and after one year

		Civil Legal Aid	Criminal Legal Aid	Pension Liability	Other	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
2014-15						
Not later than one year		36,974	19,075	-	1,088	57,137
Later than one year		45,797	17,183	932	78	63,990
Balance at 31 March 2015		**82,771**	**36,258**	**932**	**1,166**	**121,127**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
2013-14						
Not later than one year		40,254	18,256	-	132	58,642
Later than one year		47,837	17,191	96	25	65,149
Balance at 31 March 2014		**88,091**	**35,447**	**96**	**157**	**123,791**

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

- the total amount of £119,029k in respect of Criminal and Civil legal aid is based upon the estimated provision of existing certificates; and
- the breakdown of this provision does not represent the forecast funding requirements within and after one year, as there will also be the costs of new certificates authorised post 31 March 2015 that would fall due within and after one year.

The payment of Civil and Criminal provisions are determined by when solicitors or counsel submit their final bill after a case has concluded. The timing of each submission is outside the direct control of the Commission, but every effort is made to encourage legal representatives to submit their bills as expeditiously as possible.

The Commission continues to seek to limit the duration of emergency certificates as far as is practical to minimise the debt which arises if the recipient proves to be financially ineligible for legal aid or fails to co-operate with the assessment process.

The Commission introduced a new late claims policy following a Judicial Review.

Other provisions at 31 March 2015 are composed of legal costs and at 31 March 2014 legal costs, outstanding pay remit liabilities and national insurance liability in respect of the Commission paying part of the employee's pension contributions to HMRC.

15. Capital commitments

The Commission had no capital commitments at 31 March 2015 or 31 March 2014.

Notes to the Accounts for the year ended 31 March 2015

16. Commitments under Leases

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

		2014/15		2013/14
		£'000		**£'000**
Obligations under operating leases for the following periods comprise:				
Buildings				
Not later than one year		383		383
Later than one year and not later than five years		895		1,279
Later than five years		-		-
		1,278		**1,662**
Other				
Not later than one year		-		3
Later than one year and not later than five years		-		-
Later than five years		-		-
		-		3

17. Other financial commitments

The inclusion of a full provisions cost has removed the need for the Commission to report an additional obligation to fund current cases past the reporting date. As a result the future financial commitment on cases extant as at 31 March 2015 is now reduced to £Nil (£Nil at 31 March 2014 restated).

There were no other financial commitments at 31 March 2015 or 31 March 2014.

18. Contingent Liabilities disclosed under IAS 37

As previously noted in the Foreword, the Commission was dissolved by the Legal Aid and Coroners' Court Act (Northern Ireland) 2015 on 1 April 2015 and a new Executive Agency was established within the DOJ – Legal Services Agency Northern Ireland (LSANI). As a result, staff transferred on 1 April 2015 from the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) Scheme to the Principal Civil Service Pension Scheme (Northern Ireland) [PCSPS(NI)].

This transfer of staff to the PCSPS(NI) may give rise to an increase in the estimated pension deficit already provided for in Note 3.3 as NILGOSC members may elect to transfer their past service benefits to PCSPS(NI). In terms of the cost of this bulk transfer, there is uncertainty in respect of the number of members who are likely to transfer their past service and the related costs will also be dependent on the specific actuarial assumptions applied. Consequently it is not currently possible to quantify the exact liability at the reporting date.

There are a number of legal cases involving the Commission which the Agency is addressing, but at the reporting date they have not been progressed to the point where it is clear that a provision liability may arise.

Notes to the Accounts for the year ended 31 March 2015

19. Summary of Losses and Special Payments

19 (a) Losses Statement

Losses

The total value of losses did not exceed £250k and therefore no disclosure is required.

Statutory Charge Losses

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

In the year to 31 March 2015, the Commission has not incurred a loss on any debt against which it holds a statutory charge.

19 (b) Special Payments

There were no special payments exceeding £250k made during the year.

20. Related party transactions

Throughout 2014/15 the Commission operated as a NDPB within the DOJ. During the reporting period 2014/15 the Commission had various material transactions with the NICTS within the DOJ.

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

During the year ended 31 March 2015 the Commission entered into a number of material transactions with some Commission members, other related parties or their close family members. These transactions are detailed below. External members of the Commission were required to declare any personal, financial and business interests which constituted material transactions with the Commission. Any immediate connections with the Legal Aid Fund and these members, or the organisation with which the members are associated, have been declared below.

The figures below relate to the transactions in respect of funded work and include payments on account, disbursements which may be payable to third parties, and fees payable to counsel. The amounts are stated inclusive of VAT, as this is a cost to the Commission. All transactions are for the period 1 April 2014 to 31 March 2015 unless otherwise stated. The transactions do not reflect annual earnings as they might include fees for work carried out in previous years, but not billed until this financial year. They may also exclude fees for work carried out in 2014/15 but not yet billed.

Mrs Fiona Donnelly is a Commissioner and solicitor with Fiona Donnelly Solicitors. No payments were made to Fiona Donnelly Solicitors in the year to 31 March 2015. She is

Notes to the Accounts for the year ended 31 March 2015

also remunerated for her work in the Institute of Professional Legal Studies at Queen's University Belfast. No payments were made to Queen's University Belfast in the year to 31 March 2015. She is also Chair of an Advocacy Working Party and Children Order Panel for the Law Society Northern Ireland.

Mrs Gillian McGaughey is a Commissioner and a barrister. No payments were made to Mrs McGaughey in her role as a barrister in the year to 31 March 2015. She is remunerated for her work in the Institute of Professional Legal Studies at Queen's University Belfast. No payments were made to Queen's University Belfast. Her sister is a partner in Deloitte Touche. In the year to 31 March 2015 no payments were made to Deloitte MCS Ltd.

No member of the Top Management Team or Commissioner has undertaken any material transactions with the administrative functions of the Commission during 2014/15.

External committees which deal with refusal of legal aid and assessment of bills in civil proceedings, and legal aid bills in criminal proceedings, are comprised of external members of the legal profession. As committee members they are paid a standard attendance fee and as members of the legal profession they may receive payments in respect of legal aid casework.

21. Third party assets

Awards for damages to funded clients may be required by the Commission to offset any liability to the Legal Aid Fund. The Commission places these funds on deposit in separate individual client bank accounts until the liability to the Fund, if any, is determined. Any remaining balance of the damages awarded is refunded once the liability to the Fund has been settled. The amounts retained to cover any shortfall to the Fund are recorded in income as 'Damages retained'. The movement on these third party funds for the 12 months ended 31 March 2015 was as follows:

	2014/15	2013/14
	£'000	£'000
Balance at 1 April	65	76
Damages received	645	148
Interest received	-	3
	710	**227**
Less:		
Sums repaid to assisted persons	(257)	(137)
Damages retained	(165)	(25)
Balance at 31 March	**288**	**65**

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

Notes to the Accounts for the year ended 31 March 2015

22. Events after the reporting period

The Commission was dissolved by the Legal Aid and Coroners' Court Act (Northern Ireland) 2015 on 1 April 2015 and a new Executive Agency within the DOJ – Legal Services Agency Northern Ireland (LSANI), was established and assumed responsibility for administering legal aid in Northern Ireland. The Legal Aid and Coroners' Act requires the DOJ to prepare the annual accounts and report for the Commission in respect of the financial year 2014/15.

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

Date of Authorisation for issue

The Accounting Officer authorised these financial statements for issue on 19 February 2016.

Appendix 1

Business Plan 2014-15		
<u>Access to Justice</u>		
Objective	**Outcomes**	**Target:**
Contribute to the strategic development of the future direction and delivery of access to justice.	Deliver operational advice and prepare for the implementation of projects under the Departmental Action Plan.	**Owner : CEO** Within agreed timescales as part of the Departmental Action Plan to: a) Continue to work with the Department to inform and deliver reform projects; b) Inform the development of alternative mechanisms to fund money damages cases; c) Facilitate consultation on and plan for the introduction of a statutory Registration Scheme for all legal aid providers; and d) Provide instruction for and collaborate with the Department in respect of new and amendments to existing legislation. To actively participate in the proposed Access to Justice Review 2, providing evidence to the Review and responding to requests for engagement, in keeping with the timescales set by the Review Team.

Appendix 1

Delivery of Existing Services		
Objective	**Outcomes**	**Target:**
Refine and improve delivery of existing statutory services ie: granting and administering civil legal aid and administering criminal legal aid on foot of certificates granted by the judiciary.	Consolidate existing processes to enhance performance and deliver increased value for money. Improve accountability and governance arrangements for the delivery of statutory services.	**Owner : CEO** Establish a pilot E-form project by **May 2014** Taking into account the outcomes from the pilot project, consider the roll out of first phase E-forms by **September 2014** Develop strategic outline business case for a new case management system by **October 2014** Implement recommendations of Staffing Review in keeping with agreed timelines. Deliver agreed core business performance standards and targets. Develop provision model in respect of both civil and criminal legal aid which will address the current audit qualification by **March 2015** Deliver a number of counter fraud measures as outlined within the Counter Fraud Strategy. Implement new forecasting methodology from **August 2014.** Lay before NI Assembly audited Annual Report and Accounts for 2014/15 in keeping with the timetable agreed with the Department.

Appendix 1

Preparing for Change		
Objective	**Outcomes**	**Target:**
Ensure that the Commission is fully prepared for a smooth organisational transition to Executive Agency status.	Commission staff, stakeholders and providers are fully prepared for the future delivery of publicly funded legal services by a new Legal Services Agency Northern Ireland (LSANI)	**Owner : CEO** Develop and deliver a communication strategy and action plan to effectively explain the change in the status to the LSANI for all staff, stakeholders and providers by **December 2014.** Ensure the Commission staff are adequately equipped to: Implement and manage change; and to adapt to a new operating environment by **December 2014.** Implement new pay arrangements for Commission staff by **April 2014.** Move staff onto NI Civil Service Pay Terms and Conditions by **April 2014.** Move staff onto NI Civil Service non-pay terms and conditions, as appropriate **between December 2014 and March 2015.** To work with the Department on the Legal Services Agency Project to ensure the smooth transition to Executive Agency status in line with the timetable set by the Department.

Appendix 1

Service Performance Standards		
Objective	**Outcomes**	**Target:**
To determine applications for civil Legal Aid and process appeals against the refusal of civil Legal Aid	Determination of emergency applications and non-means or merits Children Order proceedings from date of receipt	90% determined within 3 days of receipt
	Determination of new applications for civil legal aid from date of registration	80% determined within 6 weeks from registration
	Listing of appeals against the refusal of civil legal aid from date of receipt	75% of appeals under the current arrangements to be listed within 30 weeks of receipt 85% of appeals under revised arrangements to be listed within 20 weeks of receipt
To process claims for payment under the civil and criminal Legal Aid Schemes	Authorisation of taxed cases for payment from date of receipt Authorisation of standard fees for payment from date of receipt	75% within 4 weeks of receipt 75% within 6 weeks of receipt
	Authorisation of non-standard fees for payment from date of receipt	75% within 12 weeks of receipt
	Payments (Legal Aid Fund) from date of authorisation	95% within 7 working days from authorisation

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Background

1. The Northern Ireland Legal Services Commission (NILSC) was established on 1 November 2003 under the Access to Justice (Northern Ireland) Order 2003 to provide Legal Aid in Northern Ireland. It was responsible for administering Civil and Criminal Legal Aid and it was a Non Departmental Public Body under the Department of Justice (DOJ) until 31 March 2015. On 1 April 2015, NILSC was dissolved, under the Legal Aid and Coroners' Court Act (Northern Ireland) 2014, and became an executive agency within the DOJ, to be known as the Legal Services Agency Northern Ireland (LSANI).

2. A qualification has been attached each year to Legal Aid expenditure since the establishment of NILSC. I am again qualifying the 2014-15 financial statements on the same basis as the previous financial year.

3. I published a report in June 2011, highlighting a range of concerns in relation to the administration of Criminal Legal Aid[1] which were subsequently considered and reported upon by the Public Accounts Committee (PAC)[2] in October 2011. The Committee concluded in its report that the absence of a cohesive counter-fraud strategy, based on established best practice, meant that NILSC was not well placed to manage the risk of fraud. It recommended that NILSC take urgent action to identify the risk of fraud and establish proactive counter-fraud measures to manage it. LSANI is continuing the process of trying to put sufficiently robust procedures in place to address the risk of fraud and these processes are described in more detail within this report.

Purpose of the Report

4. I am required to examine, certify and report upon the NILSC financial statements prepared by LSANI under the Legal Aid and Coroners' Courts Act (Northern Ireland) 2014.

5. The purpose of this report is to explain the background to my qualifications on the NILSC Account for the year ended 31 March 2015. I have qualified the financial statements on the basis of two limitations in scope on my work due to insufficient evidence available to:

    i. satisfy myself that material fraud did not exist within eligibility assessments of Legal Aid applicants and in payments to legal practitioners from Legal Aid funds (£105.5 million); and

    ii. support the assumptions and judgements used in the determination of the provision for Legal Aid liabilities of £119.0 million at 31 March 2015.

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

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

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

6. Legal Aid expenditure in 2014-15 was made up of bills received from practitioners and charges or credits from provisions to give a total expenditure of £100.9m (Civil £51.2m and Criminal £49.7m).

7. There are two aspects to the limitation in scope in respect of fraud. Firstly there was insufficient evidence to support the eligibility of certain Legal Aid applications and secondly there was insufficient evidence to support payments to legal practitioners.

Eligibility

8. Means tested Legal Aid carries a risk that Legal Aid is granted to individuals who are not eligible if income details are misstated on initial application, or if changes in financial circumstances that arise during the case are not reported by the claimant. NILSC depends significantly upon third parties to verify the eligibility of Legal Aid applications. In Civil cases, eligibility is assessed by solicitors and the Legal Aid Assessment Office (LAAO)[3]. In Criminal cases, a judge decides upon an applicant's eligibility which is done following confirmation from the LAAO that the applicant is in receipt of the benefit they have stated. However the court has a legal obligation where there is doubt over the applicant's means or the merits of the case, to resolve those doubts in favour of the applicant. Therefore it is difficult to estimate how much of Criminal Legal Aid is dependent upon an assessment of benefits being claimed. Civil Legal Aid schemes are complex with greater scope for fraud or error in assessing eligibility.

9. My main concerns relate to eligibility assessments under the remit of the LAAO. There are two aspects of the process involved. Firstly, as LAAO has access to the benefits system, it can confirm that benefits are being paid as claimed in Legal Aid application forms. There is an inherent level of fraud within the benefits system that will also impact on Legal Aid payments. This applies to both Civil and Criminal Legal Aid. Secondly, for applicants who are not in receipt of benefits, for example those employed or self-employed, LAAO relies upon the declarations made in application forms and supporting verification documents, such as payslips and accounts, in order to assess the amount of contributions payable towards Legal Aid costs.

10. LSANI has yet to develop a model to estimate its exposure to fraud. LSANI continues to work with the Social Security Agency to estimate the proportion of applicants who would have lost benefit entitlement (and thereby not 'passported' for Legal Aid) as a more accurate assessment. LSANI is again unable to provide me with an estimate of the level of fraud or error present within the benefits checked by LAAO in determining Legal Aid eligibility.

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

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11. Although Civil Legal Aid cases may run for as many as ten years the statutory computation which the LAAO is required to apply to Civil Legal Aid applications is based on the applicant's eligibility over a period of 12 months even though an applicant's circumstances may change in the period from assessment to the payment being made. In light of the findings of a pilot exercise undertaken in 2013-14 regarding the continuing eligibility of an applicant, LSANI established a Financial Eligibility Unit in June 2015. The purpose of this Unit is to ensure that persons in receipt of Legal Aid remained financially eligible beyond the first 12 months. To achieve this, the Unit will carry out a review of a sample of all 'live' Civil Legal Aid certificates on an on-going basis. As part of this review the LAAO will undertake 'means assessments' to determine an applicant's continuing eligibility outside the initial 12 month computation period.

Payments to Legal Practitioners

12. I remain particularly concerned about the level of fraud in payments to legal practitioners, and increasingly in relation to Civil Legal Aid. The nature of the Legal Aid scheme, in making payments to legal practitioners for services which are directly provided to Legal Aid claimants, creates difficulties for 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 fraud and error in respect of payments to legal practitioners.

13. PAC recommended in its 2011 Report, that NILSC should establish a robust inspection regime, including visits to the offices of legal professionals. During these visits, practitioners' records should be inspected, ensuring there is adequate supporting evidence for bills issued and to confirm the eligibility of applicants at the time of payment. LSANI continues to work towards the establishment of a full compliance and registration scheme that will allow inspection by LSANI staff of applicable documentation held at the legal practitioners' offices.

14. DOJ has assumed responsibility for the Statutory Registration Scheme. Discussions continue with the Bar Council and the Law Society in relation to the introduction of the Scheme. The necessary legislation to introduce the Registration Scheme is subject to the affirmative resolution process before the Assembly and as such implementation of the Scheme is planned for 1 April 2017.

15. Given the weaknesses that remain in the counter fraud arrangements for the eligibility of applicants and payments to practitioners, I have limited the scope of my audit opinion on regularity because I have been unable to obtain sufficient audit evidence to enable me to conclude that a material amount of Legal Aid expenditure has not been fraudulently claimed.

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Limitation in scope arising from insufficient evidence to support the management information used to determine a number of assumptions underpinning the provisions and judgements made when calculating provisions

16. Due to insufficient evidence to support management information used to determine a number of key assumptions underpinning the current provisions methodologies and the judgements made when calculating provisions I have continued to qualify my opinion on the truth and fairness of the amount provided for Legal Aid liabilities at 31 March 2015. These liabilities are referred to as Legal Aid provisions and the figures are outlined in the table below.

Provision for Legal Aid liabilities at 31 March 2015

	Civil		Criminal	
	At 31 March 2015 £ million	**At 31 March 2014 (restated) £million**	**At 31 March 2015 £ million**	**At 31 March 2014 (restated) £ million**
Very High[4] / High Cost Cases	**3.3**	**11.1**	**2.7**	**7.8**
Non-High Cost Cases	**79.5**	**77.0**	**33.5**	**27.6**
Total	**82.8**	**88.1**	**36.2**	**35.4**

17. Provisions for Legal Aid liabilities, valued at £119.0 million at 31 March 2015 (31 March 2014 (restated): £123.5 million), are estimated by NILSC in two ways:

    (i) High Cost Cases: the provision is estimated on a case by case basis using information received from the respective legal representatives to inform the judgements made in determining a reasonable estimate; and

    (ii) Non-High Cost Cases: the provision is estimated using the Provisions Information Management System (PIMS). PIMS extracts information from the case management database to be used in the calculation of the provision. It is underpinned by a number of key assumptions. The assumptions include the estimated average cost of a case; the adjustments required for cases which result in nil bills or multiple bills; and the estimated time it takes to complete a case.

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

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18. Key weaknesses on Legal Aid provisioning were identified in our previous audits and continue to recur in 2014-15. These relate to the assumptions used in the valuation of provisions. We have specific concerns in relation to:

    - the accuracy and completeness of the numbers of Legal Aid certificates;
    - the applicability and relevance of management information used in the provisions valuations; and
    - the review process for the Legal Aid liabilities for high cost cases at the year end.

19. Provisions for Legal Aid liabilities are challenging to estimate but ensuring that the basis and assumptions used to estimate provisions are reasonable is important for not only the preparation of the financial statements which I audit, but also for ensuring robust budgeting systems going forward. The estimation of these liabilities is, by nature, extremely difficult due to the current out-working of the Legal Aid scheme.

20. LSANI and DOJ are continuing their work to develop a model capable of providing a reasonable estimation of Legal Aid costs associated with the granting of a Legal Aid certificate. On-going work with LSANI's Forecast Working Group is progressing a detailed review and further analysis of the current methodology and assumptions used. As yet it is unclear if this model will be sufficiently progressed to inform the provision for Legal Aid liabilities amount in the 2015-16 financial statements however I am encouraged that both LSANI and DOJ have recognised the limitations of the current model and, in particular, the assumptions underpinning it.

Other reporting matters

21. In addition to the two qualifications, I previously reported in 2013-14 that legislation which came into effect in 2012 was not being implemented by NILSC. The Criminal Legal Aid (Recovery of Defence Costs Order) Rules (Northern Ireland) 2012 came into effect in October 2012. The Rules provide for orders for the recovery of defence costs to be made against legally aided defendants who have been convicted in the Crown Court. The purpose of such an order is to recover a part of Legal Aid costs incurred under a criminal aid certificate as is reasonable in the financial circumstances of the defendant. NILSC and LSANI have not made use of these regulations however there is ongoing liaison with DOJ regarding clarification on how these Rules should operate in practice.

Conclusion

22. Despite raising concerns in previous years there is still insufficient evidence to determine the level of fraud or error regarding the eligibility of Legal Aid payments or payments to legal practitioners. LSANI continues to work towards establishing suitable procedures to address the risk of fraud in Legal Aid expenditure however progress towards implementation remains slower than is desirable.

23. NILSC was unable to make sufficient progress to ensure robust methodologies were put in place to determine the provision for Legal Aid liabilities. As a result, there remains insufficient audit evidence to support the assumptions and judgements used and to provide assurance that material misstatement does not exist. I am aware that LSANI and DOJ have recently commenced work on a

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revised methodology for determining Legal Aid provisions, and to also provide more robust forecasting of Legal Aid liabilities, has commenced and I will review this when it has been implemented by LSANI.

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

25. I intend to report more fully later in the year in my value for money report on managing Legal Aid.

K J Donnelly

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
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19 February 2016

access to justice

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