



Oifig an Ard-Reachtair Cuntas agus Ciste  
Office of the Comptroller and Auditor General

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Mr. Brian Doherty  
Chief Executive Officer  
Legal Services Regulatory Authority  
Units 1 to 3  
Manor Street Business Park  
Shea's Lane  
Dublin 7

Dear Mr Doherty,

The audit of Legal Services Regulatory Authority financial statements for the year ended 31<sup>st</sup> December 2019 has been completed.

Please find enclosed:

- the report of the Comptroller and Auditor General
- a set of signed financial statements of Legal Services Regulatory Authority for the year ended 31<sup>st</sup> December 2019.

A management letter in respect of the audit will issue to you in due course.

The timelines in relation to laying of accounts is set out in Circular 7/2015 as follows:

- The audited financial statements and the audit certificate should be submitted to the sponsoring Department as soon as possible and no later than one month after certification.
- The Department should lay the accounts and audit certificate before the Houses of the Oireachtas no later than two months after receipt or three months where the accounts must be presented to Government.

I would ask you to liaise with your Department to ensure compliance with these timelines.

I would also ask you to ensure that adequate controls are in place to ensure that the accounts and audit certificate laid before the Houses of the Oireachtas are identical to the version enclosed. You may need to exercise specific care where accounts are being formatted for inclusion in an annual report.

I wish to express my appreciation for the co-operation afforded to members of the audit team by your staff throughout the course of the audit.

Yours sincerely

Kiernan Scott  
Senior Auditor  
29 December 2020





# Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

## Report for presentation to the Houses of the Oireachtas

### Legal Services Regulatory Authority

#### Opinion on financial statements

I have audited the financial statements of the Legal Services Regulatory Authority for the year ended 31 December 2019 as required under the provisions of section 28 of Legal Services Regulation Act 2015. The financial statements comprise

- the statement of income and expenditure and retained revenue reserves
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Legal Services Regulatory Authority at 31 December 2019 and of its income and expenditure for 2019 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

#### *Basis of opinion*

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Legal Services Regulatory Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

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

#### **Report on information other than the financial statements, and on other matters**

The Legal Services Regulatory Authority has presented certain other information together with the financial statements. This comprises the governance statement and Authority members' report and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Paul Southern**  
**For and on behalf of**  
**Comptroller and Auditor General**

**15 December 2020**

## Appendix to the report

### Responsibilities of Authority members

The governance statement and Authority members' report sets out the Authority members' responsibilities. The Authority members are responsible for

- the preparation of financial statements in the form prescribed under section 28 of the Legal Services Regulation Act 2015
- ensuring that the financial statements give a true and fair view in accordance with FRS 102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Responsibilities of the Comptroller and Auditor General

I am required under section 28 of the Act to audit the financial statements of the Legal Services Regulatory Authority and to report thereon to the Houses of the Oireachtas.

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

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Legal Services Regulatory Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or

conditions may cause the Legal Services Regulatory Authority to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

### Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.



An tÚdarás Rialála  
Seirbhísí Dlí

Legal Services  
Regulatory Authority

## FINANCIAL STATEMENTS

For the year ended  
31 December 2019

**Legal Services Regulatory Authority**

**Financial statements**

**For the year ended 31 December 2019**

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## **Legal Services Regulatory Authority**

### **Financial Statements**

**For the year ended 31 December 2019**

### **General Information**

#### **Composition of the Authority**

Don Thornhill (Chair)  
Deirdre McHugh  
James MacGuill  
Dermott Jewell  
Gerry Whyte  
Stephen Fitzpatrick  
Joan Crawford  
Geraldine Clarke  
Angela Black  
Eileen Barrington  
Sara Moorhead

#### **Chief Executive Officer**

Brian Doherty

#### **Head Office**

Unit 1 – 3  
Manor Street Business Park  
Shea's Lane  
Dublin 7  
Telephone: 01-4120966  
Web Site: [www.lsr.ie](http://www.lsr.ie)  
Email: [lsra-inbox@lsra.ie](mailto:lsra-inbox@lsra.ie)

#### **Bankers**

Bank of Ireland  
St. Stephen's Green  
Dublin 2

#### **Auditors**

The Comptroller and Auditor General  
3A Mayor Street Upper  
Dublin 1  
Ireland

#### **Solicitors**

Fieldfisher  
The Capel Building,  
Marys Abbey,  
Dublin 7

#### **Accountants**

Crowleys DFK  
16/17 College Green  
Dublin 2

## **Legal Services Regulatory Authority**

### **Financial Statements**

**For the year ended 31 December 2019**

### **Governance Statement and Authority Members' Report**

#### **Governance**

Legal Services Regulatory Authority was established under the Legal Services Regulation Act 2015. The objectives of the Authority are set out in section 13(4) of this Act. The Authority is accountable to the Minister for Justice and is responsible for ensuring good governance and performs this task by setting strategic objectives and targets and taking strategic decisions on all key business issues. The regular day-to-day management, control and direction of the Legal Services Regulatory Authority are the responsibility of the Chief Executive Officer (CEO) and the senior management team. The CEO and the senior management team must follow the broad strategic direction set by the Authority, and must ensure that all Authority members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise. The CEO acts as a direct liaison between the Authority and management of the Legal Services Regulatory Authority.

#### **Authority's Responsibilities**

The work and responsibilities of the Authority are set out in Terms of Reference, which also contain the matters specifically reserved for Authority decision. Standing items considered by the Authority include:

- declaration of interests,
- financial reports/management accounts,
- performance reports, and
- reserved matters.

Section 28 of the Legal Services Regulation Act 2015 requires the Legal Services Regulatory Authority to keep, in such form as may be approved by the Minister for Justice with consent of the Minister for Public Expenditure and Reform, all proper and usual accounts of money received and expended by it.

In preparing these financial statements, Legal Services Regulatory Authority is required to:

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.



## Legal Services Regulatory Authority

### Financial Statements

For the year ended 31 December 2019

#### Governance Statement and Authority Members' Report (Continued..)

The Authority is responsible for keeping adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with Section 28 of the Legal Services Regulation Act 2015. The maintenance and integrity of the corporate and financial information on the Legal Services Regulatory Authority website is the responsibility of the Authority.

The Authority is responsible for approving the annual plan and budget. An evaluation of the performance of the Legal Services Regulatory Authority by reference to the annual plan and budget is carried out at every Authority meeting.

The Authority is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Authority considers that the financial statements of the Legal Services Regulatory Authority give a true and fair view of the financial performance and the financial position of the Legal Services Regulatory Authority at 31 December 2019.

#### Authority Structure

The Authority consists of a Chairperson and ten ordinary members, all of whom are appointed by the Minister for Justice. The members of the Authority were appointed for a period of three to four years and meet at least once every three months. The table below details the appointment period for current members:

Authority Member	Role	Term (Years)	Date Appointed / Reappointed
Don Thornhill (Chair)	Chair	4	01/10/2016
Deirdre McHugh	Member	3	01/10/2019
James MacGuill	Member	4	01/10/2016
Dermott Jewell	Member	3	01/10/2019
Gerry Whyte	Member	4	01/10/2016
Stephen Fitzpatrick	Member	3	01/10/2019
Joan Crawford	Member	4	01/10/2016
Geraldine Clarke	Member	3	01/10/2019
Angela Black	Member	4	01/10/2016
Eileen Barrington	Member	4	01/10/2016
Sara Moorhead	Member	3	01/10/2019

The Authority conducted a self-assessment of its effectiveness and evaluation for 2019 in accordance with the Code of Practice for the Governance of State Bodies (2016).

## Legal Services Regulatory Authority

### Financial Statements

For the year ended 31 December 2019

#### Governance Statement and Authority Members' Report (Continued..)

The establishment of the Finance, Audit & Risk (FAR) Committee of the Legal Services Regulatory Authority was approved at the Meeting of the Authority on 28 June 2018.

The FAR Committee consists of three board members and two independent members: Stephen Fitzpatrick (Chairperson), Angela Black, Geraldine Clarke, Peter O'Brien, and Claire Byrne. The FAR Committee met four times in 2019.

#### Schedule of Attendance, Fees and Expenses

A schedule of attendance at the Authority meetings for 2019 is set out below including the fees and expenses received by each member:

	Authority	FAR	Fees 2019 €	Expenses 2019 €
	5	4		
Don Thornhill	5	-	11,970	77
Gerry Whyte	4	-	-	-
Eileen Barrington	5	-	-	-
Angela Black	4	4	-	-
Geraldine Clarke	4	2	7,695	-
Joan Crawford	5	-	-	-
Stephen Fitzpatrick	5	4	7,695	-
Dermott Jewell	5	-	7,695	-
Deirdre McHugh	5	-	-	-
Sara Moorhead	5	-	-	-
James MacGuill	5	-	7,695	-
Peter O'Brien	-	4	-	-
Claire Byrne	-	3	-	-
			<u>42,750</u>	<u>77</u>

Four members Angela Black, Deirdre McHugh, Gerry Whyte and Joan Crawford, did not receive a fee under the One Person One Salary (OPOS) principle. Members Sara Moorhead and Eileen Barrington waived their fees.

#### Key Personnel Changes

In 2019, more staff joined the Senior Management Team of the LSRA. Head of Complaints, Investigations and Resolutions, Tony Watson was appointed 11 October 2019. Head of Corporate Services, Deirdre Fleming was appointed on 18th October 2019. While, the Head of Communications, Research & Innovation Department, Nuala Haughey was appointed on 11th November 2019.

## Legal Services Regulatory Authority

### Financial Statements

For the year ended 31 December 2019

### Governance Statement and Authority Members' Report (Continued..)

#### Disclosures Required by Code of Practice for the Governance of State Bodies (2016)

The Authority is responsible for ensuring that the Legal Services Regulatory Authority has complied with the requirements of the Code of Practice for the Governance of State Bodies ("the Code"), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:

#### Employee Short-Term Benefits Breakdown

Employees' short-term benefits in excess of €60,000 are categorised into the following bands:

<b>Range</b>		<b>No. of</b>	<b>No. of</b>
<b>From</b>	<b>To</b>	<b>employees</b>	<b>employees</b>
		<b>2019</b>	<b>2018</b>
€ 60,000	- € 69,999	-	-
€ 70,000	- € 79,999	-	-
€ 80,000	- € 89,999	-	-
€ 90,000	- € 99,999	-	-
€ 100,000	- € 109,999	-	-
€ 110,000	- € 119,999	-	-
€ 120,000	- € 129,999	-	-
€ 130,000	- €139,999	-	1
€ 140,000	- €149,999	1	-

Note: For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee, but exclude employer's PRSI.

## Legal Services Regulatory Authority

### Financial Statements

For the year ended 31 December 2019

### Governance Statement and Authority Member's Report (Continued..)

#### Consultancy Costs

Consultancy costs include the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2019	2018
	€	€
Legal advice	63,313	70,009
Public Consultation, Research and Reporting	-	104,160
Review of Funding Project	15,856	21,525
Workforce Planning	8,026	30,750
Insurance Advice	-	11,660
Total consultancy costs	<b>87,195</b>	<b>238,104</b>
Consultancy costs capitalised	-	-
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	87,195	238,104
Total	<b>87,195</b>	<b>238,104</b>

#### Legal Costs and Settlements

The Legal Services Regulatory Authority did not incur expenditure in the reporting period in relation to legal costs, settlements and conciliation and arbitration proceedings relating to contracts with third parties.

#### Travel and Subsistence Expenditure

Travel and subsistence expenditure is categorised as follows:

	2019	2018
	€	€
Domestic		
- Authority Members	77	-
- Employees	2,729	2,563
International		
- Authority Members	-	-
- Employees	1,645	2,424
Total	<b>4,451</b>	<b>4,987</b>

## Legal Services Regulatory Authority

### Financial Statements

For the year ended 31 December 2019

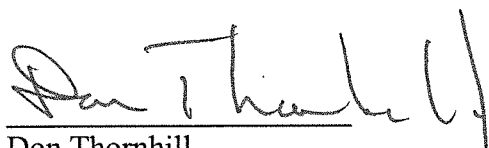
### Hospitality Expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2019	2018
Staff / Authority hospitality	703	704
Client hospitality	-	-
Total	<u>703</u>	<u>704</u>

### Statement of Compliance

The Legal Services Regulatory Authority was established on 1 October 2016 under the Legal Services Regulation Act 2015. The Legal Services Regulatory Authority has complied with the requirements of the Code of Practice for the Governance of State Bodies as published by the Department of Public Expenditure and Reform in August 2016.



Don Thornhill  
Chairperson



Brian Doherty  
Chief Executive Officer

DATE: 09/12/20

## **Legal Services Regulatory Authority**

### **Financial Statements**

**For the year ended 31 December 2019**

### **Statement on Internal Control**

#### **Responsibility for system of Internal Control**

On behalf of the Legal Services Regulatory Authority, I hereby acknowledge our responsibility for ensuring that an effective system of internal controls is maintained and operated.

The system of internal control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material error or other irregularities are either prevented or would be detected on a timely basis. We are satisfied that the systems, which the Authority has in place, are reasonable and appropriate for the Authority's circumstances having regard to its size, level of expenditure, staff resources and the nature of its operations.

#### **Control Environment**

The following steps have been taken to ensure an appropriate control environment

- ❖ Decisions on expenditure rest with the Chief Executive Officer and the members of the Authority in line with approved expenditure thresholds;
- ❖ Management responsibilities are clearly assigned and communicated between the Chief Executive Officer and all members of staff;
- ❖ Internal reporting relationships are clearly assigned;
- ❖ The Department of Justice provide internal audit services to the Legal Services Regulatory Authority. There was an audit conducted on internal financial control in February 2020;
- ❖ The Legal Services Regulatory Authority has in place robust financial procedures and in addition engaged the services of an external accounting firm.

## **Legal Services Regulatory Authority**

### **Financial Statements**

**For the year ended 31 December 2019**

### **Statement on Internal Control (Continued...)**

#### **Risk Assessment**

The Authority has established processes to identify and evaluate business and financial risks by:

- ❖ Identifying the nature and extent of financial risks facing the office;
- ❖ Assessing the potential of identified risks occurring;
- ❖ Evaluating and assessing the internal capacity of the office to manage the risks that do occur;
- ❖ Examining financial risks in the context of strategic goals.

#### **Control Mechanism**

The system of internal control is based on internal management of information, administrative procedures and a system of delegation and accountability. In particular, this involves

- ❖ Regular review by the Authority and senior management of financial reports provided by the external accounting firm;
- ❖ Comprehensive budgeting system with an annual budget which is reviewed regularly by senior management.

Mechanisms have been established for ensuring the adequacy of the security of the Authority's information (internally within the Legal Services Regulatory Authority) and communication technology systems.

## **Legal Services Regulatory Authority**

### **Financial Statements**

**For the year ended 31 December 2019**

### **Statement on Internal Control (Continued...)**

#### **Disclosure of Details Regarding Issues**

No issues reported during the year.

#### **Compliance with Public Spending Code**

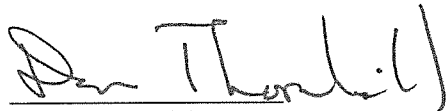
The Legal Services Regulatory Authority is in compliance with current procurement rules and guidelines as set out by the Office of Government Procurement.

#### **Approval by the Authority**

The Statement on System of Internal controls has been reviewed by the Authority to ensure it accurately reflects the control system in operation during the reporting period.

A review of internal controls in respect of 2019 was carried out and signed off by the Authority in 2020.

The Authority is reasonably confident that the systems of internal control instituted and implemented in the Legal Services Regulatory Authority for the financial period ended 31<sup>st</sup> December 2019 are effective.



Don Thornhill  
Chairperson

Date: 9/12/20



**Legal Services Regulatory Authority**

**Financial Statements**

**For the year ended 31 December 2019**

**Certificate of the Comptroller and Auditor General**

**TO BE INSERTED FOLLOWING COMPLETION OF AUDIT**

# Legal Services Regulatory Authority

## Financial Statements

For the year ended 31 December 2019

### Statement of Income and Expenditure and Retained Revenue Reserves

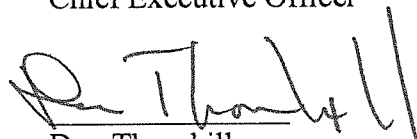
	Notes	2019 €	2018 €
<b>Income</b>			
Income	2	1,399,420	-
Net Deferred Funding for Pensions	11	99,000	47,000
<b>Total Income</b>		<u>1,498,420</u>	<u>47,000</u>
<b>Expenditure</b>			
Staff Costs	3	1,036,106	709,575
Authority Members Costs	5	42,750	42,750
Accommodation Costs	6	334,701	177,639
Office Administration Expenses	7	213,042	354,459
Seminars and Publications	8	2,082	881
Communications	9	30,608	23,044
ICT	10	82,204	33,555
<b>Total Expenditure</b>		<u>1,741,493</u>	<u>1,341,903</u>
<b>(Deficit) for the period</b>		(243,073)	(1,294,903)
<b>Balance brought forward at 1 January</b>		(2,166,742)	(871,839)
<b>Balance carried forward at 31 December</b>		<u>(2,409,815)</u>	<u>(2,166,742)</u>

The Statement of Income and Expenditure and Retained Revenue Reserves includes all gains and losses recognised in the period.

The Statement of Cash Flows and notes 1-19 form part of these financial statements.



Brian Doherty  
Chief Executive Officer



Don Thornhill  
Chairperson

Date: 9/12/20

## Legal Services Regulatory Authority

### Financial Statements

For the year ended 31 December 2019

#### Statement of Comprehensive Income


	Notes	2019 €	2018 €
<b>(Deficit) / Surplus For The Financial Year</b>		(243,073)	(1,294,903)
Experience (losses)/gains on retirement benefit obligations	11 iii	(534,000)	-
Changes in assumptions underlying the present value of retirement benefit obligations	11 iii	(151,000)	-
Total actuarial gains/(losses) in the year		<u>(685,000)</u>	<u>(1,294,903)</u>
Adjustment to deferred retirement benefits funding		685,000	-
Total Comprehensive Income for the year		<u>(243,073)</u>	<u>(1,294,903)</u>

**Legal Services Regulatory Authority**

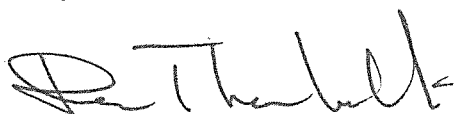
**Statement of Financial Position  
As at 31 December 2019**

	Notes	2019 €	2018 €
<b><u>Fixed Assets</u></b>			
Property, plant and equipment	13	-	-
<b><u>Current Assets</u></b>			
Receivables and prepayments	12	233,962	76,210
Cash and cash equivalents		<u>1,685,045</u>	<u>1,003,311</u>
		1,919,007	1,079,521
<b><u>Current Liabilities</u></b> <b><u>(Amounts falling due within 1 year)</u></b>			
Payables and accruals	14	<u>(328,822)</u>	<u>(246,263)</u>
<b>Total Assets Less Current Liabilities</b>		1,590,185	833,258
Advance of funding	15	(4,000,000)	(3,000,000)
Retirement benefit obligations	11iii	(831,000)	(47,000)
Deferred retirement benefit funding asset	11iv	831,000	47,000
<b>Total Net Liabilities</b>		<u><u>(2,409,815)</u></u>	<u><u>(2,166,742)</u></u>
<b><u>Representing</u></b>			
Retained revenue reserve		(2,409,815)	(2,166,742)
Capital Account		-	-
		<u><u>(2,409,815)</u></u>	<u><u>(2,166,742)</u></u>

The Statement of Cash Flows and notes 1-19 form part of these financial statements.



Brian Doherty  
Chief Executive Officer



Don Thornhill  
Chairperson

Date: 09/12/20

## Legal Services Regulatory Authority

### Statement of Cash Flows For the year ended 31 December 2019

	Note	2019 €	2018 €
<b>Net cash flows from operating activities</b>			
(Deficit) / Surplus for the period		(243,073)	(1,294,903)
(Increase) in Receivables	12	(157,752)	(33,917)
Increase in Payables	14	82,559	51,439
<b>Net Cash (Outflow) / Inflow from Operating Activities</b>		<u>(318,266)</u>	<u>(1,277,381)</u>
<b>Investing Activities</b>			
Payments to acquire Property, Plant and Equipment		-	-
<b>Net Cash Flow from Investing Activities</b>		<u>-</u>	<u>-</u>
<b>Financing Activities</b>			
Interest Received		-	-
Advance of funding from Department of Justice	15	1,000,000	1,000,000
<b>Net Cash Flow from Financing Activities</b>		<u>1,000,000</u>	<u>1,000,000</u>
<b>Increase / (Decrease) in Cash and Cash Equivalents</b>		<u>681,734</u>	<u>(277,381)</u>
Cash and Cash equivalents at 1 January		1,003,311	1,280,692
<b>Cash and Cash Equivalents at the end of the period</b>		<u>1,685,045</u>	<u>1,003,311</u>

## **Legal Services Regulatory Authority**

### **Notes to the financial statements**

**For the year ended to 31 December 2019**

#### **1. Accounting Policies**

The basis of accounting and significant accounting policies adopted by the Legal Services Regulatory Authority are set out below. They have been applied consistently throughout the period.

#### **General Information**

The Legal Services Regulatory Authority was set up under the Legal Services Regulatory Act 2015, with a head office at Units 1-3, Manor Street Business Park, Shea's Lane, Dublin 7. The Legal Services Regulatory Authority's primary functions as set out in Section 13(4) of the Legal Services Regulatory Act 2015 are as follows:

- Regulate the provision of legal services by legal practitioners and shall ensure the maintenance and improvement of standards in the provision of such services in the State;
- The Authority may, and where required by this Act shall keep under review, and make recommendations to the Minister in respect of the following:
  - a. the admission requirements of the Law Society relating to the solicitors' profession and of the Bar Council and the Honorable Society of King's Inns relating to the barristers' profession;
  - b. the availability and quality of the education and training for the solicitors' and barristers' professions;
  - c. the policies of the Law Society in relation to the admission of persons as solicitors in the State, and of the Bar Council and the Honorable Society of King's Inns in relation to persons becoming entitled to practise as barristers in the State.
- Disseminate information in respect of the education and accreditation requirements to such extent and in such manner as it thinks fit;
- Specify the nature and minimum levels of professional indemnity insurance;
- Establish and administer a system of inspection of legal practitioners for such purposes as are provided for in this Act;
- Receive and investigate complaints
- Maintain the roll of practising barristers
- Promote public awareness and disseminate information to the public in respect of legal services, including the cost of such services;
- Keep the Minister informed of developments in respect of the provision of legal services by legal practitioners and make recommendations to assist the Minister in co-ordinating and developing policy in that regard;

## **Legal Services Regulatory Authority**

### **Notes to the financial statements**

**For the year ended to 31 December 2019**

#### **General Information (Continued...)**

- Undertake, commission or assist in research projects and other activities in respect of the provision of legal services, which in the opinion of the Authority may promote an improvement in standards for the provision of those services and public awareness of them, and make recommendations to the Minister arising from those projects or activities; and
- Perform any other functions conferred on it by the Act or by regulations made under it.

The Legal Services Regulatory Authority is a Public Benefit Entity (PBE).

#### **Statement of Compliance**

The financial statements of the Legal Services Regulatory Authority for the period ended 31 December 2019 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland.

#### **Basis of Preparation**

The financial statements have been prepared under the historical cost convention, except for certain assets and liabilities that are measured at fair values as explained in the accounting policies below. The financial statements are in the form approved by the Minister for Justice under the Legal Services Regulatory Authority Act 2015.

The financial statements are prepared in Euro which is the functional currency of the Legal Services Regulatory Authority. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Legal Services Regulatory Authority's financial statements.

These financial statements include prior year comparative figures in respect of retirement benefits.

#### **Levy Income**

The Legal Services Regulatory Authority (LSRA) is responsible for imposition of levy on professional bodies and certain barristers to cover the expenses of the LSRA and the Legal Practitioners Disciplinary Tribunal (LPDT) under section 95 of the Legal Services Regulation Act 2015. The amount of levy payable in each financial year is calculated as the sum of the approved expenses of the LSRA and the expenses of the LPDT in respect of the preceding financial year.

Part 7 of the Act sets out the funding model for the Legal Services Regulatory Authority (LSRA) and Legal Practitioners Disciplinary Tribunal (LPDT). Funding is to be provided by way of a levy of the professions under the following headings:

## **Legal Services Regulatory Authority**

### **Notes to the financial statements**

**For the year ended to 31 December 2019**

#### **Levy Income (Continued...)**

- Levy of the Law Society
- Levy of the Bar Council (Bar of Ireland)
- Levy of individual barristers who are not members of the of the Law Library

Under the model, the Authority shall determine at the end of each financial year, operating costs and administrative expenses for both the LSRA and the LPDT. The expenses are further broken down into Part 6 expenses (Complaints) and expenses other than Part 6. Apportionment formulae are applied to determine the levy to be paid per person under the 3 categories above.

Section 98 of the Act provides for the Authority to make regulations in relation to dates, collection and recovery, rates of interest, record keeping required of the LPDT and other appropriate requirements.

#### **Foreign Currencies**

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the Statement of Financial date. Revenues and costs are translated at the exchange rates ruling at the dates of the underlying transactions. Profits and losses arising from foreign currency translations and on settlement of amounts receivable and payable are dealt with in the Income and Expenditure Account.

#### **Tangible Assets and Depreciation**

Tangible assets are stated at their historical cost less accumulated depreciation. Depreciation is charged to the Statement of Income and Expenditure and Retained Revenue Reserves on a straight line basis, at the rates set out below, so as to write off the assets, adjusted for residual value, per their expected useful lives as follows:

IT Equipment	Straight-line over 5 years
Office Equipment	Straight-line over 5 years
Furniture and Fittings	Straight-line over 10 years

The residual value and useful lives of fixed assets are considered annually for indicators that these may have changed. Where such indicators are present, a review will be carried out of the residual value, depreciation methods and useful lives, and these will be amended if necessary. Changes in depreciation rates arising from this review are accounted for prospectively over the remaining useful lives of the assets.

#### **Operating Leases**

Rental expenditure under operating leases is recognised in the Statement of Income and Expenditure and Retained Revenue Reserves over the life of the lease. Expenditure is



## **Legal Services Regulatory Authority**

### **Notes to the financial statements For the year ended to 31 December 2019**

#### **Operating Leases (Continued...)**

recognised on a straight-line basis over the lease period, except where there are rental increases linked to the expected rate of inflation, in which case these increases are recognised when incurred. Any lease incentives received are recognised over the life of the lease.

#### **Employee Benefits**

##### Short-term Benefits

Short term benefits such as holiday pay are recognised as an expense in the year, and benefits that are accrued at year-end are included in the Payables figure in the Statement of Financial Position.

##### Retirement Benefits

The employees of the Legal Services Regulatory Authority are public servants and are members of a defined benefit scheme which is unfunded and is administered by the Department of Public Expenditure and Reform.

The Legal Services Regulatory Authority also operates the Single Public Services Pension Scheme ("Single Scheme"), which is a defined benefit scheme for pensionable public servants appointed on or after 1 January 2013. All pensions deductions made under the Single Scheme are remitted to the Department of Public Expenditure and Reform. The liability for the pension liabilities rest with the Authority.

#### **Receivables**

Receivables are recognised at fair value, less a provision for doubtful debts. The provision for doubtful debts is a specific provision, and is established when there is objective evidence that the Legal Services Regulatory Authority will not be able to collect all amounts owed to it. All movements in the provision for doubtful debts are recognised in the Statement of Income and Expenditure and Retained Revenue Reserves.

#### **Payables**

Trade creditors are measured at invoice price, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

## Legal Services Regulatory Authority

### Notes to the financial statements For the year ended to 31 December 2019

#### Critical Accounting Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

#### 2. Income

The Legal Services Regulatory Authority was established on 1 October 2016. During the period from the date of establishment to 31<sup>st</sup> December 2018, the Authority was not in receipt of any non-grant income. Under Section 32 of the Legal Services Regulatory Authority Act 2015, the Minister shall advance to the Authority out of moneys provided by the Oireachtas such amount or amounts as the Minister may, with the consent of the Minister for Public Expenditure and Reform, determine for the purposes of expenditure by the Authority in the performance of its functions.

	2019	2018
	€	€
Levy Income	1,294,903	-
Administration Fees	15,646	-
Other income – Salary Recoupment	88,871	-
	<u>1,399,420</u>	<u>-</u>

Levy notices totalling €1,294,903 as provided for in the Legal Services Regulation Act 2015 (Levy) Regulations 2019 (S.I. 463 of 2019), were issued in November 2019. An amount of €4,543 remained to be collected at year end.

For the 12 months period from the 1<sup>st</sup> of January 2019 to 31<sup>st</sup> December 2019, the Authority was in receipt of €1,000,000 (2018: €1,000,000) as an advance from the Department of Justice and Equality for establishment costs.

## Legal Services Regulatory Authority

### Notes to the financial statements

For the year ended to 31 December 2019

#### 3. Staff Costs and Employee Information

	2019	2018
	€	€
<b>Staff Payroll Costs</b>		
Staff costs	561,131	199,765
Employer PRSI	57,459	20,279
Employer Pension Contribution	60,658	35,275
Retirement Benefit Costs (note 11 iii)	99,000	47,000
Seconded staff	232,833	359,565
Temporary Staff	3,527	7,434
<b>Staff Related Expenses</b>		
Domestic Travel and Subsistence	2,806	2,563
Foreign Travel and Subsistence	1,645	2,424
Recruitment Expenses	4,495	33,770
Staff Training	12,552	1,500
Total Staff Costs	<u>1,036,106</u>	<u>709,575</u>

#### 3a. Employee Numbers

	2019	2018
The number of employees at year end was made up as follows:		
Chief Executive Officer	1	1
Staff Members	<u>26</u>	<u>6</u>
	<u>27</u>	<u>7</u>

\*Includes secondment staff from the Department of Justice.

#### 3b. Chief Executive Officer's Remuneration

The Chief Executive Officer was appointed on 14<sup>th</sup> September 2017. The Chief Executive Officer received €146,922 in 2019 (2018: €130,628).

Pension entitlements of the Chief Executive do not extend beyond the model public sector superannuation scheme. The Chief Executive did not receive any performance related payments or any other benefit in kind during the year.

#### 3c. Key Management Remuneration

Key management personnel in Legal Services Regulatory Authority consist of the Chief Executive Officer and Authority member fees. Total compensation paid to key management personnel amounted to €315,066 (2018: €173,378).

## Legal Services Regulatory Authority

### Notes to the financial statements For the year ended to 31 December 2019

#### 4. Pension Related Deduction

Pension related deductions of staff directly employed by the Authority were made in line with statutory requirements. €15,928 of pension related deductions were made in 2019 (2018: €11,758).

<b>5. Authority Members Costs</b>	<b>2019</b>	<b>2018</b>
	€	€
Don Thornhill	11,970	11,970
Geraldine Clarke	7,695	7,695
Dermott Jewell	7,695	7,695
Stephen Fitzpatrick	7,695	7,695
James MacGuill	7,695	7,695
	<b>42,750</b>	<b>42,750</b>

<b>6. Accommodation Expenses</b>	<b>2019</b>	<b>2018</b>
	€	€
Rent	311,451	171,558
Service Charges	15,126	4,964
Maintenance and Refurbishment Expenses	8,124	1,117
	<b>334,701</b>	<b>177,639</b>

<b>7. Office Administration Expenses</b>	<b>2019</b>	<b>2018</b>
	€	€
Telephone costs	-	256
Accountancy and payroll	64,471	72,723
Printing, postage and stationery	12,674	7,516
Meeting expenses	4,629	738
Legal services	63,313	70,009
Public consultation, research and reporting	-	104,160
Review of funding project	15,856	21,525
Workforce planning	8,026	30,750
Audit Committee Secretarial and Authority Assessment	3,960	17,257
Insurance advice	-	11,660
Pension and Human Resources	10,978	1,353
Audit fees	12,000	4,000
Translation costs	3,178	2,711
Membership Subscriptions	13,634	9,404
Bank charges	323	397
	<b>213,042</b>	<b>354,459</b>

## Legal Services Regulatory Authority

### Notes to the financial statements For the year ended to 31 December 2019

#### 8. Seminars and Publications

	2019	2018
	€	€
Conference and seminar expenses	1,463	450
Books and journals	619	431
	<u>2,082</u>	<u>881</u>

#### 9. Communications

	2019	2018
	€	€
General Advertising	10,729	15,664
PR Support	11,395	7,380
Symposium	8,484	-
	<u>30,608</u>	<u>23,044</u>

#### 10. ICT

	2019	2018
	€	€
IT Technical support (Including telephone)	76,879	28,890
IT Licenses	5,325	4,665
	<u>82,204</u>	<u>33,555</u>

## Legal Services Regulatory Authority

### Notes to the financial statements For the year ended to 31 December 2019

#### 11. Retirement Benefit Costs

##### i. Authority Staffing

In accordance with Section 27 of the Legal Services Regulatory Act 2015, the Authority may prepare and submit to the Minister for his approval a scheme for the granting of superannuation benefits to these staff members and in respect of such members of the staff of the Authority as it may think fit.

In 2019, some staff joined the LSRA and their legacy pension transferred over to the LSRA. These staff members are members of a defined benefit scheme which is unfunded and is administered by the Department of Public Expenditure and Reform.

New entrant staff, employed by the Authority after 1 January 2013 are members of the Single Public Service Pension Scheme in accordance with Public Service Pensions (Single Scheme and Other Provisions) Act 2012. Deductions from staff salaries are transferred to the Department of Public Expenditure and Reform on a monthly basis in accordance with the Act.

##### ii. Analysis of total retirement benefit costs charged to the Statement of Income and Expenditure and Retained Revenue Reserves

	31 December 2019 €	31 December 2018 €
Current service cost	101,000	46,000
Interest on retirement benefit scheme liabilities	2,000	1,000
Less Benefits Paid	(4,000)	-
	<u>99,000</u>	<u>47,000</u>

\*The current service cost includes employee contributions totaling €23,000 in 2019. (2018: €10,000)

## Legal Services Regulatory Authority

### Notes to the financial statements

For the year ended to 31 December 2019

#### 11. Retirement Benefit Costs (Continued...)

##### iii. Movement in net retirement benefit obligations during the financial year

	31 December 2019	31 December 2018
	€	€
Net retirement benefit obligation at 1 January	47,000	-
Current service costs	78,000	36,000
Employee Contributions	23,000	10,000
Interest costs	2,000	1,000
Benefits paid in period	(4,000)	-
Experience loss/(gain) on liabilities	534,000	-
Changes in actuarial assumptions	151,000	-
	<hr/>	<hr/>
Net retirement benefit obligations at 31 December	831,000	47,000

##### iv. Deferred funding asset for retirement benefits

The Authority recognises amounts owing from the State for the unfunded deferred liability for retirement benefits on the basis of the set of assumptions described above and a number of past events. These events include the statutory basis for the establishment of the retirement benefit scheme, and the policy and practice currently in place in relation to funding public service pensions including contributions by employees and the annual estimates process. The Authority has no evidence that this funding policy will not continue to meet such sums in accordance with current practice.

The net deferred funding for retirement benefits recognised in the Statement of Income and Expenditure and Retained Revenue Reserves is as follows:

	31 December 2019	31 December 2018
	€	€
Funding recoverable in respect of current year retirement	103,000	47,000
Benefits paid in year	(4,000)	-
	<hr/>	<hr/>
	99,000	47,000

The deferred funding liability for retirement benefit as at 31 December 2019 amounted to €831,000 (2018: €47,000).

## Legal Services Regulatory Authority

### Notes to the financial statements For the year ended to 31 December 2019

#### 11. Retirement Benefit Costs (Continued...)

iv. History of defined benefit obligations	2019	2018
	€'000	€'000
Defined benefit obligations	831,000	47,000
Experience losses/(gains) on defined benefit scheme liabilities	534,000	-
Employee Contributions	23,000	10,000

#### v. Description of scheme

##### Authority Scheme

The pension scheme is a defined benefit final salary pension arrangement with benefits and contributions defined by reference to current “model” public sector scheme regulations. The scheme provides a pension (one eightieth per year of service), a gratuity or lump sum (three eightieths per year of service) and spouse’s and children’s pensions. Normal Retirement Age is a member’s 65<sup>th</sup> birthday, and pre 2004 members have an entitlement to retire without actuarial reduction from age 60. Pensions in payment (and deferment) normally increase in line with general public-sector salary inflation.

##### Single Scheme

The Single Scheme is the occupational pension scheme for public servants hired since 2013. It is a defined benefit scheme, with retirement benefits based on career-average pay. The scheme generates pension credits and retirement lump sum credits for each scheme member. These money credits, known as “referable amounts”, accrue as percentages of pay on an ongoing basis. The referable amounts accrued each year are revalued annually until retirement in line with inflation increases (Consumer Price Index). The annual pension awarded on retirement is the cumulative total of a scheme member’s pension referable amounts, and the retirement lump sum awarded is, similarly, the total of the scheme member’s lump sum referable amounts.

##### Valuation

The valuation used for FRS 102 disclosures has been based on a full actuarial valuation by a qualified independent actuary taking account of the requirements of the FRS in order to assess the scheme liabilities at 31 December 2019.

The principal actuarial assumptions used to calculate the components of the defined benefit cost for the year ended 31 December 2019 were as follows:



## Legal Services Regulatory Authority

### Notes to the financial statements

For the year ended to 31 December 2019

#### 11. Retirement Benefit Costs (Continued...)

	31 December 2019	31 December 2018
Discount rate	1.40%	2.25%
Inflation rate	1.40%	1.75%
Salary increases	2.65%	3.00%
Pension increases	2.40%	2.75%

The mortality basis adopted allows for improvements in life expectancy over time, so that life expectancy at retirement will depend on the year in which a member attains retirement age (age 65). The number of members in the Scheme and the number of deaths are too small to analyse and produce any meaningful Scheme-specific estimates of future levels of mortality. Average future life expectancy according to the mortality tables used to determine the pension liabilities are:

	31 December 2019 Years	31 December 2018 Years
Male aged 65	21.7	21.7
Female aged 65	24.1	24.1

#### 12. Receivables and Prepayments

	2019 €	2018 €
Prepayments	92,318	34,144
Other Debtors	135,740	42,066
Pay Debtors	1,361	-
Levy Debtors	4,543	-
	<u>233,962</u>	<u>76,210</u>

## Legal Services Regulatory Authority

### Notes to the financial statements

For the year ended to 31 December 2019

#### 13. Fixed Assets

Certain IT assets owned by the Department of Justice are used by the LSRA as part of an ICT shared service provided by the Department. The net book value of these assets at 31<sup>st</sup> December 2019 was €10,100 and no depreciation is charged in these accounts.

<b>14. Payables and Accruals</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Amounts falling due within one year		
Creditors	34,504	30,910
Other Creditor	1,614	-
PAYE/PRSI	35,420	10,242
Pension Levy	2,022	10,541
Single Scheme Pensions	15,928	47,033
Legacy Pension	2,199	-
Accruals	237,135	147,537
	<u><b>328,822</b></u>	<u><b>246,263</b></u>

<b>15. Advance of Funding</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Amounts at beginning of the period	3,000,000	2,000,000
Amounts advanced during the period	1,000,000	1,000,000
Amounts paid back during the period	-	-
Amounts at the end of the period	<u><u>4,000,000</u></u>	<u><u>3,000,000</u></u>

Under Section 32, “the Minister of Justice shall advance to the Authority out of moneys provided by the Oireachtas such amounts as the Minister may, with the consent of the Minister for Public Expenditure and Reform, determine for the purposes of expenditure by the Authority in the performance of its functions.” An Advance Funding Statement is signed between the Department of Justice and the Legal Services Regulatory Authority in respect of each draw-down of the funding concerned. The relevant funding terms are as agreed by the parties to this agreement under the Advance Funding Statement concerned.

**The funding terms agreed include as follows:**

- Once an appropriate mechanism for recoupment of funds advanced has been identified and agreed a suitable and realistic term for that recoupment will be agreed.
- Each annual payment under the identified mechanism will be calculated as the total amount advanced to the Authority by the Minister divided by the number of years in the term of the advance.
- Payment will commence in 2020 or such date as otherwise may be agreed (and annually thereafter) subject to the identification of an appropriate mechanism.
- No interest will be applied to the monies advanced.
- Funding terms are recorded in the notes to the Authority’s Accounts.
- Without prejudice to either the independence of the LSRA under section 13(3) of the Legal Services Regulation Act, 2015 or its financial management obligations under the Act, the Legal Services Regulatory Authority shall provide a profile of expenditure to the Department of Justice and any funds advanced are to be expended in accordance with the expenditure categories identified in that profile. Such expenditure shall also be in accordance with public service rules and regulations. Pending finalisation of a profile of expenditure for the new financial year expenditure will be in line with the expenditure categories in the previous financial year.

**16. Capital and Other Commitments**

There were no capital commitments at 31<sup>st</sup> December 2019.

## 17. Lease Commitments

The Authority entered a new lease on 2nd August 2019 with a three month rent free period. It is a ten year lease with annual rent of €120,000 and an annual service charge of €8,061.60.

<b>Lease Commitment</b>	<b>2019</b>	<b>2018</b>
	<b>€</b>	<b>€</b>
Payable within one year	128,062	-
Payable within two or five years	512,246	-
Payable after five years	640,308	-
	<u>1,280,616</u>	<u>-</u>

## 18. Related Party Transactions / Disclosure of Interests

The Legal Services Regulatory Authority complies with the Code of Practice for the Governance of State Bodies issued by the Department of Public Expenditure and Reform in relation to the disclosure of interests by the Chief Executive Officer and members/staff of the Authority. Formal procedures exist to ensure adherence with the requirements of the Code.

## 19. Approval of Financial Statements

The financial statements were approved by the Authority at its meeting of 2 April 2020.