



**An tÚdarás Rialála
Seirbhísí Dlí**

**Legal Services
Regulatory Authority**

FINANCIAL STATEMENTS

**For the year ended
31 December 2021**

Legal Services Regulatory Authority

Financial statements For the year ended 31 December 2021

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Legal Services Regulatory Authority

Financial Statements For the year ended 31 December 2021

General Information

Composition of the Authority

Don Thornhill (Chair)
Deirdre McHugh (to 23/09/2021)
Simon Murphy
Dermott Jewell
Stephen Fitzpatrick (to 19/04/2021)
Joan Crawford
Geraldine Clarke
Angela Black
Eileen Barrington
Sara Moorhead
Deirdre Malone (from 23/02/2021)
Shane Galligan (from 22/07/2021)

Chief Executive Officer

Brian Doherty

Head Office

Units 1-3
Manor Street Business Park
Shea's Lane, Stoneybatter
Dublin 7
Telephone: 01-859 2902
Web Site: www.lsr.ie
Email: 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 LLP
The Capel Building,
Mary's Abbey,
Dublin 7

Accountants

Crowleys DFK
16/17 College Green
Dublin 2

Legal Services Regulatory Authority

Financial Statements

For the year ended 31 December 2021

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 is accountable for the management of the senior management and staff of the LSRA in line with the Legal Services Regulation Act 2015 and the strategic and policy decisions of the 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, the 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 2021

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 (www.lsr.ie) 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 2021.

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 and includes those who were members in 2021:

Authority Member	Role	Term (Years)	Date Appointed / Reappointed
Don Thornhill (Chair)	Chair	4	01/10/2020
Deirdre McHugh*	Member	3	01/10/2019
Dermott Jewell	Member	3	01/10/2019
Joan Crawford	Member	4	01/10/2020
Geraldine Clarke	Member	3	01/10/2019
Angela Black	Member	4	01/10/2020
Eileen Barrington	Member	4	01/10/2020
Sara Moorhead	Member	3	01/10/2019
Simon Murphy	Member	4	01/10/2020
Stephen Fitzpatrick**	Member	3	01/10/2019
Shane Galligan***	Member	3	22/07/2021
Deirdre Malone****	Member	4	23/02/2021

Legal Services Regulatory Authority

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For the year ended 31 December 2021

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

*Deirdre McHugh served on the Authority until her resignation on 23 September 2021 and is included here as she was a member for the majority of 2021. Replacement nominee from CCPC (Síona Ryan) was appointed on 23 February 2022 for the remainder of the original 3 year term vacated by Deirdre McHugh (appointed from 1 October 2019). This appointment was renewed from 1 October 2022.

**Stephen Fitzpatrick is included here as he served as a member until his resignation on 19 April 2021. Replaced by Shane Galligan as ILCA nominee.

***Appointment of Shane Galligan is for the remainder of the original 3 year term vacated by Stephen Fitzpatrick (appointed from 1 October 2019). This appointment was renewed from 1 October 2022.

****Appointment of Deirdre Malone (IHREC nominee) was 23 February 2021 but the term runs from 1 October 2020 to 30 September 2024.

Finance, Audit & Risk Committee

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 2021.

Following the resignation of Stephen Fitzpatrick from the Authority, Angela Black was approved by the Authority at its meeting of 3 June 2021 as Chairperson to the Committee.

Legal Services Regulatory Authority

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

Schedule of Attendance, Fees and Expenses

The Authority met on five occasions in 2021. Due to Covid-19 impacts on business and associated restrictions, all of these meetings were held online. A schedule of attendance at the Authority meetings is set out below:

	Authority	FAR	Fees 2021 €	Expenses 2021 €
	5	4		
Don Thornhill	5	-	11,970	-
Eileen Barrington	5	-	-	-
Angela Black	5	4	5,771	-
Geraldine Clarke	5	3	7,695	-
Joan Crawford	5	-	-	-
Stephen Fitzpatrick	2	1	3,848	-
Dermott Jewell	5	-	7,695	-
Deirdre McHugh	3	-	-	-
Sara Moorhead	4	-	-	-
Simon Murphy	5	-	7,695	-
Deirdre Malone	3	-	7,695	-
Shane Galligan	2	-	3,847	-
Peter O'Brien	-	4	-	-
Claire Byrne	-	4	-	-
			56,216	-

Two members, Deirdre McHugh and Joan Crawford, did not receive a fee under the One Person One Salary (OPOS) principle while Angela Black was OPOS until her retirement from public service employment in April 2021. Members Sara Moorhead and Eileen Barrington waived their fees.

Key Personnel Changes

In 2021, Stephen Fitzpatrick was replaced as ILCA nominee by Shane Galligan from 22 July 2021. Deirdre Malone (IHREC) was appointed to the Authority on 23 February 2021.

Deirdre McHugh resigned from the Authority on 23 September 2021. Replacement nominee from CCPC (Sóna Ryan) was appointed on 23 February 2022.

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:

Legal Services Regulatory Authority

Financial Statements

For the year ended 31 December 2021

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

Employee Short-Term Benefits Breakdown

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

Range		No. of employees	No. of employees
From	To	2021	2020
€ 60,000	- € 69,999	2	4
€ 70,000	- € 79,999	5	2
€ 80,000	- € 89,999	2	1
€ 90,000	- € 99,999	1	-
€ 100,000	- € 109,999	-	1
€ 110,000	- € 119,999	1	-
€ 120,000	- € 129,999	-	-
€ 130,000	- €139,999	-	-
€ 140,000	- €149,999	-	-
€ 150,000	- €159,999	-	1
€ 160,000	- €169,999	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.

Consultancy Costs

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

	2021	2020
	€	€
Legal advice	116,903	84,107
Pensions Consultant	344	544
Levy Process Review	10,394	2,017
Complaints system Process Audit	34,007	-
Total consultancy costs	161,648	86,668
Consultancy costs capitalised	-	-
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	161,648	86,668
Total	161,648	86,668

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

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:

	2021	2020
	€	€
Domestic		
- Authority Members	-	87
- Employees	-	2,184
International		
- Authority Members	-	-
- Employees	23	768
Total	<u>23</u>	<u>3,039</u>

Legal Services Regulatory Authority

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For the year ended 31 December 2021

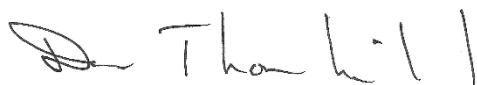
Hospitality Expenditure

No hospitality expenditure was incurred by the LSRA in 2021.

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, except in respect of the following sections of the code:

- Section 4.6 - Performance Review, the Authority did not undertake a self-assessment in 2021. Arrangements will be made for an Authority Self-Assessment in Q1 2023.
- Section 4.6 - Performance Review, the self-assessment will be followed by an external assessment of effectiveness in 2023.
- Section 8.14, 8.15 - Periodic Critical Review, will be undertaken following the assessments under 4.6.
- Section 8.16 - Procurement Policy and review of Financial Policies & Procedures, review ongoing and revised documents to issue Q1 2023.
- Section 8.16 - Contracts Database, will be developed in Q1 2023.
- Section 8.20 - Corporate Procurement Plan, to be developed for Q1 2023.



Don Thornhill
Chairperson



Brian Doherty
Chief Executive Officer

Date: 16 December 2022

Legal Services Regulatory Authority

Financial Statements

For the year ended 31 December 2021

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 provides internal audit services to the Legal Services Regulatory Authority. An audit of 2021 internal controls was conducted in Quarter 1 2022 and the IAU Report signed off by the CEO on 8 April 2022;
- ❖ 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 2021

Statement on Internal Control (Continued...)

Impact of Covid-19 pandemic to the Control Environment

The onset of the COVID-19 pandemic in early 2020, and the resulting public health advice and safety measures, rapidly and fundamentally changed the working practices of the LSRA with remote and virtual working becoming the norm for most LSRA staff.

LSRA has monitored the developments closely, looking to mitigate the risks that may affect LSRA's business operations, staff and stakeholders. Actions taken by the Authority include: -

- ❖ Initiate LSRA's Business as Usual (BAU) model and transition the Authority's business operations to a remote working environment where most business processes can continue as normal.
- ❖ Continual assessment of significant risks pertaining to the Covid-19 pandemic and the agility of LSRA to respond effectively.
- ❖ Ensuring robust segregation of duties remains and adequate cover is in place should specific approving authorities be unavailable.
- ❖ Ensuring all existing data protection and records management policies and procedures continue to apply in the remote working environment and are monitored and reported on as normal.
- ❖ Ensuring that staff members access LSRA's network using LSRA's approved ICT equipment and that all staff members working remotely have been equipped with the necessary ICT equipment.
- ❖ Assessed potential for weaknesses in internal controls resulting from COVID-19 and took measures to monitor and update internal controls where necessary.

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.

Legal Services Regulatory Authority

Financial Statements

For the year ended 31 December 2021

Statement on Internal Control (Continued...)

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.

Disclosure of Details Regarding Issues

No issues reported during the year.

Compliance with Public Spending Code

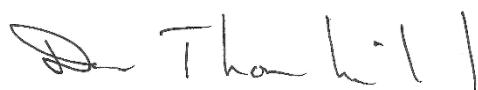
The Legal Services Regulatory Authority is in compliance with current procurement rules and guidelines as set out by the Office of Government Procurement.

Review of Effectiveness of Internal Controls

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 2021 was conducted by Internal Audit Unit (IAU) at the Department of Justice and a review of the IAU Report was completed by the Authority in September 2022.

The Authority is reasonably assured that the systems of internal control instituted and implemented in the Legal Services Regulatory Authority for the financial period ended 31st December 2021 are effective.



Don Thornhill
Chairperson

Date: 16 December 2022

Legal Services Regulatory Authority

Financial Statements

For the year ended 31 December 2021

Certificate of the Comptroller and Auditor General

TO BE INSERTED FOLLOWING COMPLETION OF AUDIT



Ard Reachtair 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 2021 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 comprehensive income
- 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 2021 and of its income and expenditure for 2021 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 the
Comptroller and Auditor General

20 December 2022

Legal Services Regulatory Authority

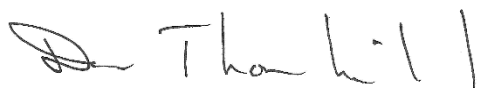
Financial Statements

For the year ended 31 December 2021

Statement of Income and Expenditure and Retained Revenue Reserves

	Notes	2021 €	2020 €
Income			
Income	2	3,077,511	1,740,930
Net Deferred Funding for Pensions	12	677,000	438,000
Establishment Funding	16	3,000,000	-
Total Income		6,754,511	2,178,930
Expenditure			
Staff Costs	3	2,534,516	2,029,491
Retirement Benefit Costs	12	677,000	438,000
Staff Related Expenses	4	47,844	64,844
Authority Members Costs	5	56,216	42,750
Accommodation Costs	6	178,755	263,014
Office Administration Expenses	7	530,816	285,026
Seminars and Publications	8	1,753	1,746
Communications	9	8,843	2,420
ICT	10	140,236	204,498
Depreciation	14	26,060	19,757
Total Expenditure		4,202,039	3,351,546
Surplus / (Deficit) for the period		2,552,472	(1,172,616)
Balance brought forward at 1 January		(3,582,431)	(2,409,815)
Balance carried forward at 31 December		(1,029,959)	(3,582,431)

The Statement of Cash Flows and notes 1-21 form part of these financial statements.



Don Thornhill
Chairperson



Brian Doherty
Chief Executive Officer

Date 16 December 2022

Legal Services Regulatory Authority

Financial Statements

For the year ended 31 December 2021

Statement of Comprehensive Income

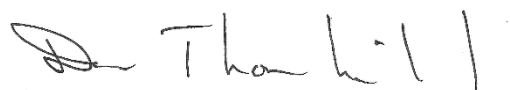
	Notes	2021 €	2020 €
Surplus / (Deficit) For The Financial Year		2,552,472	(1,172,616)
Experience (losses)/gains on retirement benefit obligations	12iii	(858,000)	(2,007,000)
Changes in assumptions underlying the present value of retirement benefit obligations	12iii	(262,000)	(354,000)
Total actuarial gains/(losses) in the year		<u>(1,120,000)</u>	<u>(2,361,000)</u>
Adjustment to deferred retirement benefits funding		1,120,000	2,361,000
Total Comprehensive Income for the year		<u>2,552,472</u>	<u>(1,172,616)</u>

Legal Services Regulatory Authority

For the year ended 31 December 2021 Statement of Financial Position

	Notes	2021 €	2020 €
<u>Fixed Assets</u>			
Property, plant and equipment	14	184,246	195,505
<u>Current Assets</u>			
Receivables and prepayments	13	466,193	101,415
Cash and cash equivalents		<u>537,570</u>	<u>1,315,861</u>
		1,003,763	1,417,276
<u>Current Liabilities</u> <u>(Amounts falling due within 1 year)</u>			
Payables and accruals	15	<u>(317,968)</u>	<u>(245,212)</u>
Total Assets Less Current Liabilities		870,041	1,367,569
Advance of funding	16	(1,900,000)	(4,950,000)
Retirement benefit obligations	12iii	(5,427,000)	(3,630,000)
Deferred retirement benefit funding asset	12iv	5,427,000	3,630,000
Total Net Liabilities		<u><u>(1,029,959)</u></u>	<u><u>(3,582,431)</u></u>
<u>Representing</u>			
Retained revenue reserve		<u>(1,029,959)</u>	<u>(3,582,431)</u>
		<u><u>(1,029,959)</u></u>	<u><u>(3,582,431)</u></u>

The Statement of Cash Flows and notes 1-21 form part of these financial statements.



Don Thornhill
Chairperson



Brian Doherty
Chief Executive Officer

Date 16 December 2022

Legal Services Regulatory Authority

Financial Statements

For the year ended 31 December 2021

Statement of Cash Flows

	Note	2021 €	2020 €
Net cash flows from operating activities			
Surplus / (Deficit) for the period		2,552,472	(1,172,616)
Depreciation charge		26,060	-
(Increase) / Decrease in Receivables	13	(364,778)	132,547
Increase / (Decrease) in Payables	15	72,756	(83,610)
Net Cash Inflow / (Outflow) from Operating Activities		<u>2,286,510</u>	<u>(1,123,679)</u>
Investing Activities			
Payments to acquire Property, Plant and Equipment		(14,801)	(195,505)
Net Cash Flow from Investing Activities		<u>(14,801)</u>	<u>(195,505)</u>
Financing Activities			
Advance of funding from Department of Justice	16	1,000,000	1,000,000
Establishment funding	16	(3,000,000)	-
Repayment of advance		(1,050,000)	(50,000)
Net Cash Flow from Financing Activities		<u>(3,050,000)</u>	<u>950,000</u>
(Decrease) / Increase in Cash and Cash Equivalents		<u>(778,291)</u>	<u>(369,184)</u>
Cash and Cash equivalents at 1 January		1,315,861	1,685,045
Cash and Cash Equivalents at the end of the period		<u>537,570</u>	<u>1,315,861</u>

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

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 Regulation Act 2015, with a head office at Units 1-3, Manor Street Business Park, Shea's Lane, Stoneybatter, Dublin 7. The Legal Services Regulatory Authority's primary functions as set out in Section 13(4) of the Legal Services Regulation 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 2021

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 2021 have been prepared in compliance with the applicable legislation, and with FRS 102 the Financial Reporting Standard applicable in the UK and the Republic of Ireland issued by the Financial Reporting Council in the UK.

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 Regulation 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.

The Authority has concluded that there is no material uncertainty regarding the Authority's ability to meet its liabilities as they fall due and continue as a going concern. The Legal Services Regulatory Authority has recognised a surplus in 2021, due to the recording of establishment funding as income. However given the continued support via grant funding from the Department of Justice, the Authority have a reasonable expectation that The Legal Services Regulatory Authority will have adequate resources for the foreseeable future. On this basis the Authority consider it appropriate to prepare the financial statements on a going concern basis. Accordingly, these financial statements do not include any adjustments to the carrying amounts and classification of assets and liabilities that may arise if the Authority was unable to continue as a going concern.

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

Levy Income

The Legal Services Regulatory Authority (LSRA) is responsible for imposition of a 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:

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

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 Position 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:

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

Tangible Assets and Depreciation (Continued...)

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 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.

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.

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 pension liabilities for the single scheme 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.

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

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.

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 31st December 2018, the Authority was not in receipt of any non-grant income. Under Section 32 of the Legal Services Regulation 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.

	2021	2020
	€	€
Levy Income	2,807,915	1,589,903
Administration Fees	24,436	35,560
Other income – Salary Recoupment	240,160	115,467
Other Income - Penalties	5,000	-
	<u>3,077,511</u>	<u>1,740,930</u>

Levy notices totalling €2,807,934 as provided for in the Legal Services Regulation Act 2015 (Levy) Regulations 2019 (S.I. 463 of 2019), were signed on 9 September 2021. An amount of €356,689 (2020: €3,348) remained to be collected at year end, of which €346,939 related to Levy due from Bar of Ireland.

For the 12 months period from the 1st of January 2021 to 31st December 2021, the Authority was in receipt of €1,000,000 (2020: €1,000,000) as an advance from the Department of Justice. This €1,000,000 was fully repaid to the Department of Justice in November 2021. In addition, in accordance with Ministerial consent for the setting of the Levy in 2021, the Authority paid a recoupment of €50,000 in respect of prior year advances. This amount of €50,000 was included in the Levy calculations of €2,807,934 (2020: €1,589,903).

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

3. Staff Costs and Employee Information

	2021	2020
	€	€
Staff costs	1,942,419	1,511,386
Employer PRSI	200,763	166,472
Employer Pension Contribution	211,030	170,999
Seconded staff	180,304	180,634
Total Staff Costs	<u>2,534,516</u>	<u>2,029,491</u>

3a. Employee Numbers

	2021	2020
The number of employees at year end was made up as follows:		
Chief Executive Officer	1	1
Staff Members *	44	36
	<u>45</u>	<u>37</u>

*Includes secondment staff from the Department of Justice.

3b. Chief Executive Officer's Remuneration

The Chief Executive Officer was appointed on 14th September 2017. The Chief Executive Officer received €162,733 in 2021 (2020: €154,620).

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, Senior Management Team and Authority member fees. Total compensation paid to key management personnel amounted to €568,005 (2020: €510,180).

3d. Additional Superannuation Contributions

Additional Superannuation Contributions (ASC) of staff directly employed by the Authority were made in line with statutory requirements. €30,608 of ASC were made in 2021 (2020: €20,876).

Legal Services Regulatory Authority

Notes to the financial statements For the year ended to 31 December 2021

4. Staff Related Expenses	2021	2020
	€	€
Domestic Travel and Subsistence	-	2,271
Foreign Travel and Subsistence	23	768
Recruitment Expenses	1,100	12,700
Staff Training	46,721	49,105
	<u>47,844</u>	<u>64,844</u>
5. Authority Members Costs	2021	2020
	€	€
Don Thornhill	11,970	11,970
Angela Black	5,771	-
Geraldine Clarke	7,695	7,695
Dermott Jewell	7,695	7,695
Stephen Fitzpatrick	3,848	7,695
James MacGuill	-	5,771
Simon Murphy	7,695	1,924
Deirdre Malone	7,695	-
Shane Galligan	3,847	-
	<u>56,216</u>	<u>42,750</u>
6. Accommodation Expenses	2021	2020
	€	€
Rent	120,000	207,636
Service charges	8,092	8,062
Repairs and Renewals	440	3,690
Premises Expenses	17,036	30,802
Light and heat	13,163	3,619
Office Machine Maintenance	115	729
Cleaning	19,909	8,476
	<u>178,755</u>	<u>263,014</u>

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

7. Office Administration Expenses	2021	2020
	€	€
Accountancy and payroll	99,599	77,096
Printing, postage and stationery	19,688	35,464
Meeting expenses	1,553	2,290
Legal services	116,903	84,107
Other Consultancy	44,745	544
Professional fees	10,220	2,017
Audit Committee Secretarial and Authority Assessment	-	7,921
Complaints Committee	122,185	26,160
Pension and Human Resources	12,977	14,120
Research projects	27,330	-
Audit fees	9,350	9,000
Translation costs	8,610	4,542
Membership Subscriptions	55,802	21,027
Equipment Hire	1,327	-
Bank charges	527	738
	530,816	285,026

8. Seminars and Publications	2021	2020
	€	€
Conference and seminar expenses	1,573	1,447
Books and journals	180	299
	1,753	1,746

9. Communications	2021	2020
	€	€
General Advertising	8,843	2,420
	8,843	2,420

10. ICT	2021	2020
	€	€
IT Technical support (Including telephone)	100,670	180,381
IT Licenses	23,694	23,667
IT Consumables	318	450
IT Website Development	15,554	-
	140,236	204,498

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

11. Legal Practitioners Disciplinary Tribunal (LPDT)

Included in Note 3 to 10 are the following expenses for the Legal Practitioners Disciplinary Tribunal (LPDT) related function. The LPDT was established on 23rd November 2020 and is in operation for 2021.

	2021	2020
	€	€
<u>Pay</u>		
Gross Pay (incl. ER PRSI)	29,235	32,417
Training and Development	10,836	-
Total Pay	<u>40,071</u>	<u>32,417</u>
<u>Non-Pay</u>		
Catering General	1,553	-
Print Design	861	-
Printing	385	-
IT Maintenance	18,100	-
Sundry Expenses	175	-
Legal Fees	30,750	-
LPDT Tribunal	12,033	-
Society Solicitors PC fees	11,600	-
Total Non-Pay	<u>75,457</u>	<u>-</u>
Total LPDT related expenditure	<u>115,528</u>	<u>32,417</u>

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

12. Retirement Benefit Costs

i. Authority Staffing

In accordance with Section 27 of the Legal Services Regulation 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. The LSRA is not intending to prepare such a scheme at this time.

In 2021, some staff joined the LSRA where their (non-Single Pension Scheme) legacy pension transferred over to the LSRA. These staff members are members of a defined benefit scheme which is unfunded. Discussions are ongoing with the Department of Public Expenditure and Reform in relation to the treatment of those pensions.

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 2021	31 December 2020
	€	€
Current service cost	639,000	424,000
Interest on retirement benefit scheme liabilities	39,000	15,000
Less Benefits Paid	(1,000)	(1,000)
	<u>677,000</u>	<u>438,000</u>

*The current service cost includes employee contributions totaling €89,000 in 2021. (2020: €74,000)

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

12. Retirement Benefit Costs (Continued...)

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

	31 December 2021	31 December 2020
	€	€
Net retirement benefit obligation at 1 January	3,630,000	831,000
Current service costs	550,000	355,000
Employee Contributions	89,000	69,000
Interest costs	39,000	15,000
Benefits paid in period	(1,000)	(1,000)
Experience loss/(gain) on liabilities	858,000	2,007,000
Changes in actuarial assumptions	262,000	354,000
	<hr/>	<hr/>
Net retirement benefit obligations at 31 December	5,427,000	3,630,000

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 2021	31 December 2020
	€	€
Funding recoverable in respect of current year retirement	678,000	439,000
Benefits paid in year	(1,000)	(1,000)
	<hr/>	<hr/>
	677,000	438,000

The deferred funding liability for retirement benefit as at 31 December 2021 amounted to €5,427,000 (2020: €3,630,000).

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

12. Retirement Benefit Costs (Continued...)

iv. History of defined benefit obligations

	2021	2020
	€	€
Defined benefit obligations	5,427,000	3,630,000
Experience losses/(gains) on defined benefit scheme liabilities	858,000	2,007,000
Employee Contributions	89,000	69,000

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 65th 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 2021.

The principal actuarial assumptions used to calculate the components of the defined benefit cost for the year ended 31 December 2021 were as follows:

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

12. Retirement Benefit Costs (Continued...)

	31 December 2021	31 December 2020
Discount rate	1.55%	1.00%
Inflation rate	2.20%	1.45%
Salary increases	3.45%	2.70%
Pension increases	2.95%	2.20%

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 2021 Years	31 December 2020 Years
Male aged 65	21.8	21.8
Female aged 65	24.2	24.2

13. Receivables and Prepayments

	2021 €	2020 €
Prepayments	59,901	11,514
Other Debtors	49,603	86,553
Levy Debtors	356,689	3,348
	<u>466,193</u>	<u>101,415</u>

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

14. Fixed Assets

	IT/ Office Equipment €	Furniture & Fixtures €	Leasehold Improvement €	Total €
Cost				
At 1 January 2021	33,609	25,946	155,708	215,263
Additions	9,331	664	4,806	14,801
At 31 December 2021	<u>42,940</u>	<u>26,610</u>	<u>160,514</u>	<u>230,064</u>
Accumulated Depreciation				
At 1 January 2021	4,974	1,808	12,976	19,758
Charged in the year	7,598	2,611	15,851	26,060
At 31 December 2021	<u>12,572</u>	<u>4,419</u>	<u>28,827</u>	<u>45,818</u>
Net Book Value				
At 31 December 2021	<u>30,368</u>	<u>22,191</u>	<u>131,687</u>	<u>184,246</u>
At 31 December 2020	<u>28,635</u>	<u>24,138</u>	<u>142,732</u>	<u>195,505</u>

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 value of these assets at 31st December 2021 was €Nil (2020: €10,100) and no depreciation is charged on these assets.

15. Payables and Accruals

	2021 €	2020 €
Amounts falling due within one year		
Creditors	137	137
PAYE/PRSI	100,898	52,888
Additional Superannuation Contributions	3,081	2,027
Single Scheme Pensions	26,503	6,578
Legacy Pension	1,526	4,549
Accruals	<u>185,823</u>	<u>179,033</u>
	<u>317,968</u>	<u>245,212</u>

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

16. Advance of Funding	2021	2020
	€	€
Amounts at beginning of the period	4,950,000	4,000,000
Amounts advanced during the period	1,000,000	1,000,000
Amounts repaid during the period	(1,050,000)	(50,000)
Establishment funding	(3,000,000)	-
Amounts at the end of the period	<u>1,900,000</u>	<u>4,950,000</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:

- It was agreed between the LSRA and the Department of Justice that once an appropriate mechanism for recoupment of funds advanced had been identified and agreed a suitable and realistic term for that recoupment would then 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. It was noted that the amount to be recouped in any given year would be determined in consultation and that this amount may change. It is a matter for the Minister for Justice to set the final amount in each year as part of the process for the Minister to provide consent to the Authority to determine the Levy for the relevant year pursuant to section 95(2) of the Legal Services Regulation Act 2015 (the 2015 Act).
- Recoupment payments commenced in December 2020 with a first instalment recoupment of €50,000 in respect of the 2019 advance processed on 11 Dec 2020. A second instalment of €50,000 in respect of the 2019 advance was processed in November 2021. The amount was set in a communication from the Minister for Justice in respect of providing Ministerial consent pursuant to section 95(2) of the 2015 Act for the determination of the Levy in 2020 and 2021 respectively. In addition, in accordance with an advance funding statement between the LSRA and the Department of Justice, the advance of €1,000,000 received in 2021 was recouped in full to the Department of Justice in November 2021.
- 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 2015 Act or its financial management obligations under that Act, the

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

16. Advance of Funding (Continued...)

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.

- In terms of the advances received by the Authority under section 32 of the 2015 Act in the years 2016 to 2018 inclusive (€3m), there was engagement between the Authority, the Department of Justice and the Department of Public Expenditure and Reform (DPER) in relation to the status of those advances in 2021/2022. Following that process, the Department of Justice wrote to the LSRA on 21 June 2022 confirming that DPER had provided sanction to designate the €3 million of funding (2016-2018) as establishment funding support which is not subject to recoupment to the Justice Vote.

17. Capital and Other Commitments

There were no capital commitments at 31st December 2021.

18. Lease Commitments

The Authority entered a new lease on 2nd August 2019 with a four month rent free period. It is a ten year lease with annual rent of €120,000 and an annual service charge of €8,062.

Lease Commitment	2021	2020
	€	€
Payable within one year	128,062	128,062
Payable within two or five years	512,248	512,246
Payable after five years	384,186	512,248
	<u>1,024,496</u>	<u>1,152,556</u>

19. 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.

Legal Services Regulatory Authority

Notes to the financial statements

For the year ended to 31 December 2021

20. Events After Reporting Period

There are no events between the reporting date and the date of approval of these financial statements for issue that require adjustment to the financial statements.

21. Approval of Financial Statements

The financial statements were approved by the Authority on .