

Stage 3 Panel Firm Audit Overview

Zest Recruitment and Consultancy Limited and Woodville Consultants

1 Stage 3 Audit Overview

Zest Consultancy Ltd (Zest) provides a broad range of compliance, regulatory and consultancy support to legal and financial services sector businesses. Products range from legal compliance and regulatory guidance to independent auditing. LEXCEL accredited for practice management and audit services, we offer bespoke support to our clients.

Zest was retained by Woodville in 2022 to design and deliver a tailored due diligence and audit service for onboarding potential panel firms (PF) seeking legal funding. A three stage process was devised in consultation with Woodville, having regard to agreed key objectives.

The first and second stages are not relevant to this overview. The third stage of the process involves an audit of funded matters being handled by the onboarded PF's.

Once a PF is in receipt of funding from Woodville, it falls within the Zest audit remit. The audit process requires the PF to provide scoped MI to Zest on an allocated monthly date. The PF provides remote access to its chosen case management system to enable dip testing of live cases. Zest analyses the MI on a high level, reviews the Monthly Funder Report (see section 2 below), reviews a random selection of live cases and finally, prepares a report on findings, observations and recommendations (where appropriate). This report is delivered to Woodville.

2 Information Required

Each month the PF is required to provide the following information to Zest:

- Management Information in an excel spreadsheet (format agreed with Woodville). The MI captures key information from the PF's live claims management systems to enable a review of real time data on matters subject to Woodville funding.
- A completed Funder Monthly Monitoring Report is delivered on the same as the MI above. The PF is required to confirm their financials, WIP, monthly claim settlements and disbursements paid from funding. PF is also required to confirm current good standing by confirming that there are no SRA actions outstanding or pending. They must confirm that

they have sufficient staff and resources to manage the claims falling under the funded book; that all claims/damages are paid into client account in a timely manner and that all disbursements are repaid.

3 Volume of Cases

Each PF is required to provide the information noted in point 2 above, by a specified date each month (e.g.5th). If this information is not received within 48 hours of the specified date, Zest reports the default to Woodville.

On receipt of the information from the PF, Zest analyse the MI and report to Woodville the number of cases reported by the PF. Zest awaits confirmation from Woodville that the volume of cases reported within the MI is correct before commencing analysis.

If there is any discrepancy between the numbers reported by the PF and reported by Woodville, Zest works asks the PF to rerun their reports until correct numbers are reported.

4 MI Review

Upon receipt of the MI from the PF, Zest conducts a high level overview of the information provided which includes consideration of the following:

- Date opened – number of days live.
- Age profile of live cases.
- Average age of cases in the book.
- Quantum of cases listed. If no quantum listed, this is queried.
- Case status – number of cases in each stage.
- Length of cases in current ‘case status’.
- Number of litigated cases (if applicable).
- Number of files per fee earner (if applicable).

There are some variances in what is reviewed for each firm. The reason for this is two-fold:

Firstly, each PF structures their operation slightly differently. Where some PFs allocate work to teams with specific key tasks being allocated to various team members, others will have specific fee earners conducting an individual caseload.

Secondly, the way MI is recorded for each PF is different. For example, the number and type of stages for each PF differ and some will give a range of quantum rather than an actual figure.

5 Funder Monthly Monitoring Report

Monthly Funder Report is reviewed as follows:

- Review any disciplinary issues/matters flagged to the SRA reported. If matters are noted, they are considered, discussed with the Firm and Woodville to decide on the best way forward.
- Review of working WIP reported and considered against the cases reported; and
- Review of any issues highlighted e.g. staffing/resources issues. Any notable issues are explored further with the Firm and Woodville with any remedial action required being discussed, agreed and monitored.

6 Dip-testing cases

Zest dip-tests approx. 1% of the PF's funded portfolio. A cross section of matters from all stages are audited in order to establish a firm understanding of how matters are progressed and the strategy throughout the lifecycle. Specifically, Zest ensures that the oldest case(s) and the highest quantum value case(s) are reviewed with focus on proactivity and strategy.

The dip-test auditing involves consideration of the following:

- Checking MI, such as quantum value and case status, is accurate.
- Proactivity on the file – is the file worked on regularly.
- Progress of file – is the file progressed through the PF stages appropriately.
- Key date management – are key dates (e.g. litigation dates/expert report dates) diarised and appropriately managed.
- Client Care – is the PF liaising with the Client regularly and keeping them updated on developments.

When reporting to Woodville, any noted progress issues are flagged and suggested improvements are made (e.g. front loading cases with client evidence or progressing a case to litigation).

7 Engagement with auditing

Generally the PF have engaged well with auditing. The information detailed in point 2 above does occasionally need to be chased, but if so it is provided within a few days of the allocated date. The PF's have been cooperative in dealing with remote IT issues.

8 Conclusions from auditing

The auditing process allows Zest to have high-level visibility over the PF's portfolio and also access to review selected cases in detail. It is important that PF's deliver their MI in a timely manner and in the correct format to enable consistent analysis.

The overall view collated from months of consistent auditing are that in the main, PF's are managing the funded portfolios well. There are inevitable differences in processes and proactivity between PF's but those are noted in the relevant individual reports.

There are positive general findings from the high-level MI portfolio reviews. These include:

- No SRA enforcement action reported and no financial management issues reported;
- Encouraging levels of contentious WIP and volumes of monthly settlements;
- Reasonable levels of fee earners assigned to the work;
- Acceptable processes for proactive case progression;
- Reasonable average life-cycles of cases;
- Matters progressed to litigation promptly, although some court delays have caused issues; and
- Acceptable numbers of cases discontinued.

The general findings from the dip-testing file audits are:

- Regular touch point reviews on matters;
- Good training and supervision of staff to ensure efficient handling;
- Clear work flows, with matters generally progressing with clear strategy;
- Experts instructed promptly, if applicable; and
- Regular client contact.

No major issues have been identified during audits, however as we would expect, the dip-testing sometimes highlights minor-issues on file handling that have been fed back to Woodville and the PF, these include:

- Matters not chased enough, for example documents with the client for some time with only some prompting from the fee earner;
- Earlier flagging of low value matters and consideration to be given to whether prospects and value of the claim merit issuing proceedings;

- Key information was not always obtained early enough, which caused delays in assessing quantum and progressing the claim;
- Change of Fee Earner, whilst necessary if staff leave the PF, sometimes caused issues with delays; and
- Prompt file closing would help to improve the accuracy of MI reporting.

The independent auditing of the cases, enables the identification of areas for improvement which in turn helps to ensure timely return on investment for Woodville. High level audits offer a comprehensive overview of the portfolio progress and help to identify any obvious issues. By drilling down into randomly selected cases, it is possible to observe and note the quality of case progression, supervision, case conduct and client care. Overall the portfolios of funded claims are progressing well.

Signed on behalf of Zest Consultancy Ltd:

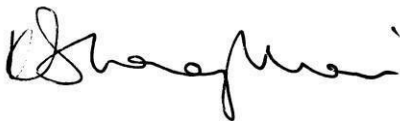


Lisa Medi Charles

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Dated: 25.01.23

Counter signed by Kate Shorney Morris:



Kate Shorney Morris

Managing Director

Dated: 25.01.23