

33rd Annual Report 2010-11

Legal Services Commission of South Australia

056	Finance
057	Table 1
058	Table 2
	Table 3
059	Table 4
	Table 5
060	Table 6
	Table 7
061	Auditor General's letter
063	Independent Audit report
064	Financial Statements
080	Certification of the Financial Report

Finance

2010-11

055

Finance Report 2010-11

056

The Commission is funded by the State and Commonwealth Governments. The State Government provides funding for State law related legal matters and State projects and the Commonwealth Government provides funds for Commonwealth law related legal matters and Commonwealth projects.

The National Partnership Agreement on Legal Assistance Services was entered into between the Commonwealth of Australia and States and Territories, effective from 1 July 2010. Pursuant to that Agreement, the Commonwealth Government committed funding to South Australia for the next four financial years until 30 June 2014.



Chinh Dinh-Pham, Finance Manager

The State Government funds State criminal law and State Child Protection (In Need of Care) matters and reimburses the Commission for expenditure in excess of the Commission's caps for approved State Criminal Expensive Cases that exceed those caps. State expensive cases are subject to a Case Management Plan which has to be approved by the Attorney-General.

The Commission receives income from the Law Society pursuant to the Legal Practitioners Act (LPA), 1981. LPA income is made up of Statutory Interest, Solicitor's Trust Accounts Interest and Excess Guarantee funds which are then used for State related matters.

The Commission also generates income from investments, client contributions, costs recovered, education courses, sale of enduring Power of Attorney Kits and it actively pursues other funding, including State and Commonwealth funding, where the projects delivered provide a service for the South

Australian community and are related to, and enhance, services currently being delivered.

Over the years, the Commission has expanded its duty solicitor services to enable a duty solicitor to be available when certain regional and country Magistrate and Youth courts are in operation. Matters heard before regional and country courts mainly relate to State law. The service is provided by both country private practitioners funded by the Commission and Commission solicitors.

For the year ended 30 June 2011, the Commission completed the year with a consolidated operating surplus of \$2 493 000. The improved result is due to additional revenue from Government, interest received from LPA sources, interest on investments, clients contributions and costs recovered. In addition, the State Government reimbursed \$532 000 for expensive cases which was not included in the Commission's budget.

The Commission's cash reserve balance at 30 June 2011 was \$15 260 000. The Commission allocates the cash into State and Commonwealth portions. Part of the cash is specifically reserved for future liabilities and the uncommitted portion is held for future operating expenditure as presented at *Table 5*.

The detailed 2010-11 financial reports are presented at *Tables 1 to 5* and forecasts for 2011-12 and 2012-13 are shown at *Table 6*.

Table 1 Legal Services Commission of South Australia
**Income and Expenditure - Commonwealth and State
 by Output Allocations as at 30 June 2011**

	2010-11 Total Actual	2010-11 Commonwealth Actual	2010-11 State Actual
Income			
Statutory Interest	1 519 160	-	1 519 160
Interest on Solicitor's Trust Account	2 153 690	-	2 153 690
Excess Guarantee Fund	163 240	-	163 240
Interest on Investments	864 810	478 250	386 560
Costs Recovered and Contributions	434 160	200 240	233 920
Government Grants - Commonwealth	14 946 000	14 946 000	-
Government Grants - State	18 047 000	-	18 047 000
Commonwealth IAAAS Funding	93 500	93 500	-
Statutory Charges	981 060	467 220	513 840
State Expensive Criminal Cases	532 130	-	532 130
Other Income	869 820	310 520	559 300
Total Revenues from Ordinary Activities	40 604 570	16 495 730	24 108 840
Expenditure			
Assignments	1 873 820	608 330	1 265 490
Private Practitioner Representation			
Criminal Law Services	10 517 510	276 760	10 240 750
Family Law Services	4 094 810	4 094 810	-
Family Dispute Resolution	951 690	951 690	-
Civil Law Services	497 530	18 020	479 510
Civil Law - Veteran's Matters	56 640	56 640	-
Child Support Services	1 860	1 860	-
In-House Representation			
Criminal Law Services	5 550 070	88 550	5 461 520
Criminal Law Duty Lawyer Services	1 472 000	29 710	1 442 290
Family Law Services	3 706 240	3 706 240	-
Family Law Duty Solicitor Services	280 630	280 630	-
Family Law Dispute Resolution	606 130	606 130	-
Civil Law Services	384 280	-	384 280
Child Support Services	1 179 770	1 179 770	-
Telephone & Face to Face Advice	3 422 100	2 597 930	824 170
Migration	1 008 480	1 008 480	-
Community Education Services	628 760	462 740	166 020
Culturally & Linguistically Diverse Program	61 110	61 110	-
Legal Education & Awareness Project	136 480	105 420	31 060
Strategic Services	1 149 440	574 720	574 720
Other Expenditure			
State Expensive Criminal Cases	532 130	-	532 130
Total Expenses from Ordinary Activities	38 111 480	16 709 540	21 401 940
Net Result from Ordinary Activities	2 493 090	- 213 810	2 706 900

Table 2 Legal Services Commission of South Australia
Commonwealth Government Funding as at 30 June 2011

Financial Year	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000
Annual Funds	12 215	12 440	12 701	12 981	14 055	14 946

058

Table 3 Legal Services Commission of South Australia
State Government Funding as at 30 June 2011

Financial Year	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	2008-09 \$'000	2009-10 \$'000	2010-11 \$'000
Annual Funds	11 292	11 483	13 698	14 496	16 445	18 047

In addition the State Government separately funded the following:

	2010-11 \$'000
State Expensive Cases	532
Total Other State Funding	532

Table 4 Legal Services Commission of South Australia
Schedule of Cash Financial Overview as % of Total Expenditure
as at 30 June 2011

Output	2008-09	% Expenditure	2009-10	% Expenditure	2010-11	% Expenditure
In House Practices	10 549 000	30.42	11 375 000	29.67	11 340 000	29.66
External Practices	17 781 000	51.28	20 124 000	52.49	19 765 000	51.69
Expensive Cases	289 000	0.83	373 000	0.97	513 000	1.34
Access Services	4 731 000	13.64	5 084 000	13.26	5 145 000	13.46
Strategic Services	1 108 000	3.20	1 151 000	3.00	1 138 000	2.98
Capital Expenditure	217 000	0.63	229 000	0.60	333 000	0.87
Total Cash Expenditure	34 675 000	100.00	38 336 000	100.00	38 234 000	100.00

059

Table 5 Legal Services Commission of South Australia
Cash Reserves and Other Commitments as at 30 June 2011

Financial Year	\$ Commonwealth	\$ State	\$ Total
<i>Comprised of:</i>			
Provision for Legal Commitment	1 202 000	2 890 000	4 092 000
Expensive Case Reserve	100 000	—	100 000
Long Service Leave Reserve	1 472 000	1 472 000	2 944 000
Computing System Replacement Reserve	1 250 000	1 250 000	2 500 000
Desktop Replacement Reserve	225 000	225 000	450 000
Office Accommodation Reserve	2 700 000	400 000	3 100 000
<i>Uncommitted Funds at 30 June 2011</i>	998 000	1 076 000	2 074 000
Total Cash Reserves 30 June 2011	7 947 000	7 313 000	15 260 000

Provision for Legal Commitment

The Commission issues certificates of legal commitment for each matter approved for legal aid. The Commission has a future legal commitment of \$4 092 000 on legal matters referred to private practitioners, which are still to be finalised.

Expensive Cases Reserve

The Commonwealth expensive cases reserve was not used in the 2010-11. The Commission has retained an expensive cases reserve of \$100 000 for Commonwealth cases that may exceed the Commission caps and for which separate funding will not be sought from the Commonwealth.

Long Service Leave Provisions

The Commission has a long service leave staff entitlement of \$ 2 944 000 at 30 June 2011. Sufficient reserves are held to cover both State and Commonwealth long service leave liabilities.

Asset Replacement Reserve

The Commission allocated a reserve for desk top replacement and an additional amount to the computing system replacement reserve. In addition, the office accommodation reserve was also brought forward from the previous financial year. The Commonwealth Government has agreed to allow the Commission to use up to \$2 300 000 of surplus funds to upgrade existing office accommodation, and to expand the Family Dispute Resolution facilities.

Table 6 Legal Services Commission of South Australia
Cash Draft Budget Outline 2011-12 and 2012-13

	2011-12			2012-13		
	State \$'000	Commonwealth \$'000	Total \$'000	State \$'000	Commonwealth \$'000	Total \$'000
Cash Reserves B/Fwd 1 July	7 313	7 947	15 260	5 625	4 098	9 723
Receipts	23 571	16 860	40 431	23 982	17 158	41 140
Total Anticipated Receipts	23 571	16 860	40 431	23 982	17 158	41 140
Expenditure						
In-house Representation, Child Support and Family Dispute Resolution	6 948	4 574	11 522	7 122	4 688	11 810
Private Practitioner Representation	12 286	6 159	18 445	12 593	6 313	18 906
Advice & Minor Assistance	1 565	3 357	4 922	1 604	3 441	5 045
Community Legal Education	534	501	1 035	547	514	1 061
Commonwealth New Initiatives	-	500	500	-	513	513
Culturally & Linguistically Diverse Project	-	62	62	-	64	64
Assignment Services	1 290	620	1 910	1 322	636	1 958
Directorate	586	586	1 172	601	601	1 201
Other Asset Purchase	175	175	350	179	179	359
Computing System Replacement	1 250	1 250	2 500	-	-	-
Computer Assets Replacement	225	225	450	-	-	-
Leasehold Improvements	400	2 700	3 100	0	0	0
Total Anticipated Expenditure	25 259	20 709	45 968	23 969	16 947	40 916
Net Cash Position	- 1 688	- 3 849	- 5 537	14	210	224
Cash Reserves 30 June	5 625	4 098	9 723	5 639	4 308	9 947

Notes to Table 6: The above table is based on a 'no activity change' outcome in the years 2011-12 and 2012-13.

Table 7 Legal Services Commission of South Australia
Value of Invoices or Accounts paid for 2010-11

	Number of Accounts Paid	% of Accounts Paid (by number)	Value in \$A of Accounts Paid	% of Accounts Paid (by value)
Paid by Due Date	31 803	97.3%	\$25 585 078	96.6%
Paid within 30 days	802	2.5%	\$835 018	3.2%
Paid more than 30 days from Due Date	91	0.2%	\$51 511	0.2%
Total	32 696	100%	\$26 471 607	100%


Legal Services Commission of South Australia
Auditor-General's Letter 2011



Government of South Australia
Auditor-General's Department

Our Ref: A11/111

12 September 2011

Mr David Meyer 
Acting Chairman
Legal Services Commission of South Australia
GPO Box 1718
ADELAIDE SA 5001

3rd Floor
State Administration Centre
100 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel: +618 8221 9010
Fax: +618 8221 9608
AEM 59 327 061 410
auctgen@audt.sa.gov.au
www.audit.sa.gov.au

061

Dear Mr Meyer

**The audit of the Legal Services Commission
for the year ended 30 June 2011**

The audit of the accounts of the Legal Services Commission for the year ended 30 June 2011 has been completed.

The scope of the audit covered the principal areas of the financial operations of the Commission and included the test review of systems and processes and internal controls and financial transactions.

The notable areas of audit coverage included:

- payroll
- legal expenditure
- other expenditure
- revenue
- receipting and banking
- cash and cash equivalents
- fixed assets.

The audit coverage and its conduct is directed to meeting statutory audit responsibilities under the *Public Finance and Audit Act 1987* and also the requirements of Australian Auditing Standards.

In essence, two important outcomes result from the annual audit process, notably:

- The issue of the Independent Auditor's Report (IAR) on the integrity of the Commission's financial statements

Legal Services Commission of South Australia
Auditor-General's Letter 2011

- The issue during the year of the audit management letter advising of system, process and control matters and recommendation for improvement.

In this regard, returned herewith are the financial statements of the Legal Services Commission together with the IAR, which is unmodified.

My Annual Report to Parliament indicates that an unmodified IAR has been issued on the Commission's financial statements.

In addition, during the year an audit management letter was forwarded to the Commission, detailing findings and recommendations from the audits of the areas reviewed. The findings and recommendations relate to weaknesses noted in financial systems and processes and associated internal controls, and improvements needed in these areas. The response to the letter and matters raised therein was received and will be followed up in the 2011-12 annual audit.

My Annual Report to Parliament includes summary commentary for the Commission on the matters raised and responses received, and specifically indicates those matters that were assessed as not meeting a sufficient standard of financial management, accounting and control.

Finally, I would like to express my appreciation to the management and staff of the Legal Services Commission in providing assistance during the year to my officers in the conduct of the annual audit.

Yours sincerely



S O'Neill
Auditor-General

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8th Floor
State Administration Centre
200 Victoria Square
Adelaide SA 5000
GPO Box 54208
Victoria Square
Tel: +618 8226 9640
Fax: +618 8226 9698
AON 53 327 061 412
audgen@audit.sa.gov.au
www.audit.sa.gov.au

**To the Chairperson
Legal Services Commission of South Australia**

As required by section 31 of the *Public Finance and Audit Act 1987* and section 25 of the *Legal Services Commission Act 1977*, I have audited the accompanying financial report of the Legal Services Commission of South Australia for the financial year ended 30 June 2011. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2011
- a Statement of Financial Position as at 30 June 2011
- a Statement of Changes in Equity for the year ended 30 June 2011
- a Statement of Cash Flows for the year ended 30 June 2011
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Acting Chairman, the Director and the Finance Manager.

Member's Responsibility for the Financial Report

The members of the Legal Services Commission of South Australia are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the members of the Legal Services Commission of South Australia determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the members of the Legal Services Commission of South Australia, as well as the overall presentation of the financial report.

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

Opinion

In my opinion, the financial report gives a true and fair view of the financial position of the Legal Services Commission of South Australia as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

S O'Neill
AUDITOR-GENERAL
12 September 2011

063

Legal Services Commission of South Australia
Income Statement 30 June 2011

Legal Services Commission of South Australia
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
Expenses			
Employee benefits expenses	4	15 470	14 051
Private Practitioner services	2.16	17 976	18 006
Private Practitioner services - Other expensive State matters	5	513	373
Supplies and services	6	3 630	3 706
Depreciation and amortisation expense	7	268	233
Other expenses	8	<u>97</u>	<u>75</u>
Total expenses		<u>38 155</u>	<u>37 344</u>
Income			
Legal Practitioners Act revenue	9	3 836	2 919
Statutory charges		1 024	967
Interest revenue		865	650
Costs recovered and contributions	10	434	412
Other income	11	<u>870</u>	<u>583</u>
Total income		<u>7 029</u>	<u>5 537</u>
Net cost of providing services		<u>31 126</u>	<u>31 807</u>
Revenues from Governments			
Commonwealth Government:			
Funding agreement	12	14 946	14 054
IAAAS Income	12	94	40
State Government:			
Funding	13	18 047	18 445
Expensive cases - Other matters	13	<u>532</u>	<u>373</u>
Total revenues from Governments		<u>33 619</u>	<u>30 912</u>
Net Result		<u>2 493</u>	<u>(895)</u>
Total Comprehensive Result		<u>2 493</u>	<u>(895)</u>

The above statement should be read in conjunction with the accompanying notes

Legal Services Commission of South Australia
Balance Sheet 30 June 2011

Legal Services Commission of South Australia
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	21	15 260	13 493
Receivables	14	1 635	1 377
Other current assets	15	<u>420</u>	<u>504</u>
Total current assets		<u>17 315</u>	<u>15 374</u>
Non-current assets			
Property, plant and equipment	16	1 018	1 111
Intangible assets	16.1	510	-
Statutory charge debtors	17	<u>5 049</u>	<u>4 618</u>
Total non-current assets		<u>6 577</u>	<u>5 729</u>
Total assets		<u>23 892</u>	<u>21 103</u>
Current liabilities			
Legal payables		1 102	1 263
Payables	18	572	309
Employee benefits	19	<u>997</u>	<u>1 077</u>
Total current liabilities		<u>2 671</u>	<u>2 649</u>
Non-current liabilities			
Payables	18	177	190
Employee benefits	19	<u>2 797</u>	<u>2 510</u>
Total non-current liabilities		<u>2 974</u>	<u>2 700</u>
Total liabilities		<u>5 645</u>	<u>5 349</u>
Net assets		<u>18 247</u>	<u>15 754</u>
Equity			
Asset revaluation surplus	2.9	79	79
Other reserves	20	100	100
Retained earnings		<u>18 068</u>	<u>15 575</u>
Total equity		<u>18 247</u>	<u>15 754</u>
Commitments	22,23		
Contingent liabilities	25		

The above statement should be read in conjunction with the accompanying notes

22

Legal Services Commission of South Australia
Cash Flow Statement 30 June 2011

Legal Services Commission of South Australia
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(15 233)	(15 276)
Supplies and services		(3 915)	(4 141)
Private Practitioner services		(18 288)	(18 318)
Private Practitioner services - Other expensive State matters		(339)	(373)
GST payments on purchases		<u>(2 312)</u>	<u>(2 248)</u>
Cash used in operations		<u>(40 087)</u>	<u>(40 356)</u>
Cash inflows			
Legal Practitioners Act receipts		3 797	2 730
Costs recovered and contributions		466	362
Statutory charge receipts		645	594
Interest received		851	644
GST receipts on revenue		218	174
GST recovered from the ATO		2 094	2 074
Other receipts		<u>798</u>	<u>558</u>
Cash generated by operations		<u>8 867</u>	<u>7 136</u>
Cash flows from Governments			
Commonwealth Government:			
Funding agreement		14 946	14 054
IAAAS income		94	40
State Government:			
Funding		18 047	16 445
Expensive Cases - Other matters		<u>358</u>	<u>373</u>
Total cash flows from Governments		<u>33 445</u>	<u>30 912</u>
Net cash provided by (used in) operating activities	21	<u>2 225</u>	<u>(2 308)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		<u>(458)</u>	<u>(228)</u>
Cash used in investing activities		<u>(458)</u>	<u>(228)</u>
Net increase in cash and cash equivalents		1 767	(2 537)
Cash and cash equivalents at the beginning of the financial year		<u>13 493</u>	<u>16 030</u>
Cash and cash equivalents at the end of the financial year	21	<u>15 260</u>	<u>13 493</u>

The above statement should be read in conjunction with the accompanying notes

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Legal Services Commission of South Australia
Statement of Changes in Equity 30 June 2011

Legal Services Commission of South Australia

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Asset Revaluation Surplus	Other Reserves	Retained Earnings	Total
	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2009	79	328	16 242	16 649
Net result for 2009-10	-	-	(895)	(895)
Transfer between equity components	-	(228)	228	-
Balance at 30 June 2010	79	100	15 575	15 754
Net result for 2010-11	-	-	2 493	2 493
Balance at 30 June 2011	79	100	18 068	18 247

The above statement should be read in conjunction with the accompanying notes

067

Legal Services Commission of South Australia
Note Index 30 June 2011

Legal Services Commission of South Australia

NOTE INDEX

Note 1	Objectives of the Legal Services Commission of South Australia
Note 2	Summary of Significant Accounting Policies
Note 3	New and revised accounting standards and policies
Expense Notes	
Note 4	Employee benefit expenses
Note 5	Private Practitioner services - State Expensive Case matters
Note 6	Supplies and services
Note 7	Depreciation and amortisation expense
Note 8	Other expenses
Revenue Notes	
Note 9	Legal Practitioners Act revenue
Note 10	Costs recovered and contributions
Note 11	Other income
Revenues from Governments	
Note 12	Commonwealth Government
Note 13	State Government
Asset Notes	
Note 14	Receivables
Note 15	Other current assets
Note 16	Property, plant and equipment
Note 17	Statutory charge debtors
Liability Notes	
Note 18	Payables
Note 19	Employee benefits
Other Notes	
Note 20	Other reserves
Note 21	Cash flow reconciliation
Note 22	Legal expense commitments
Note 23	Commitments for expenditure
Note 24	Related party disclosures
Note 25	Contingent liabilities

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission of South Australia

The Legal Services Commission (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide, or arrange for the provision of legal assistance in accordance with the Act. The objective of the Commission is to provide clients with accessible information, advice and representation to meet their legal needs.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

Except for AASB 2009-12, which the Commission has earlier adopted, Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Commission for the reporting period ending 30 June 2011.

The Commission's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for the valuation of the library, which is at an independent valuation.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month operating cycle and presented in Australian currency.

2.2 Comparative Figures

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific accounting policy statement or Australian Accounting Standard has required a change.

Where presentation or classification of items in the financial statements have been amended, comparative amounts have been reclassified unless reclassification is impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

2.3 Rounding

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$000).

2.4 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for Goods & Services Tax (GST).

Income, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred by the Legal Services Commission of SA as a purchaser of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable;

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

2.5 Income and Expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Commission will occur and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General purpose Financial Reporting Framework* paragraph APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

Government Funding

The Commission receives funding from the State and Commonwealth Governments, which are recognised as income when monies are received.

Government Funding Expensive Cases

The Commission recognises expensive case funding when the amount has been approved and can be reliably measured.

Other Revenue

Other revenue is recognised as it accrues.

2.6 Current and Non-Current Classification

Assets and liabilities are characterised as either current or non-current in nature. The Legal Services Commission of SA has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.7 Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

2.8 Property, Plant and Equipment

In accordance with Accounting Policy Framework III *Asset Accounting Framework* and the Commission's revaluation policy, property, plant and equipment are recognised at written down current cost unless the fair value of the group (at the time of acquisition) is greater than \$1 million.

2.9 Asset Revaluation Surplus

The asset revaluation surplus includes the net revaluation increments and decrements arising from the revaluation of non-current assets.

2.10 Impairment

All non-current tangible and intangible assets are reviewed for indication of impairment each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the asset revaluation surplus.

2.11 Depreciation and Amortisation of Non-Current Assets

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as software, while depreciation is applied to physical assets such as plant and equipment.

The useful lives of all major assets held by the Legal Services Commission of SA are reassessed on an annual basis.

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Plant & Equipment		
Computers	Straight Line	3-5
Office equipment	Straight Line	5-13
Furniture and fittings	Straight Line	13
Leasehold improvements	Straight Line	10
Intangibles	Straight Line	3-5

2.12 Payables

Payables include creditors, accrued expenses and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Legal Services Commission of SA.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received in accordance with Treasurer's Instruction 11 Payment of Creditor's Accounts.

Legal Payables represent invoices for work completed prior to 30 June 2011 received by the Commission up to and including 22 July 2011. Amounts billed after this date are reflected in legal expense commitments as disclosed at Note 22.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, annual leave and long service leave.

The Legal Services Commission of SA makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the Superannuation Schemes.

2.13 Employee Benefits

Provision has been made in the financial statements for the Commission's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in the determination of the liability. In accordance with Accounting Policy Framework IV Financial Asset and Liability Framework, the employment on-costs component is included in creditors. The aggregate of employee benefits is disclosed at Note 19.

1. Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 4 percent has been applied to employee benefits which are expected to be settled in the next 12 months.

2. Sick Leave

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

3. Long Service Leave

The liability for long service leave is recognised after an employee has completed 5 years (2010 - 5.5 years) of service. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Commission's experience of employee retention and leave taken.

4. Superannuation

Salaries and related payments include superannuation contributions paid by the Commission under the following categories:

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- (a) The Commission paid an amount to Comsuper towards the accruing government liability in respect of currently employed contributors to the Commonwealth Superannuation Fund. Payments amounted to \$60 000 (2010 - \$59 000).
- (b) The Commission contributed to various superannuation schemes towards the accruing government liability for superannuation in respect of all employees. Payments amounted to \$1 375 000 (2010 - \$1 350 000).

2.14 Workers Compensation

The Commission pays a worker's compensation levy to the WorkCover SA to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCover SA.

2.15 Financial Instruments

The Commission's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2011, are as follows:

Financial Assets

Cash and cash equivalents (Note 21) comprises cash and deposits at call with the South Australian Government Financing Authority and are recorded at cost. Interest revenues are recognised as they accrue. Interest rates are at market rates and have fluctuated between 4.40% and 5.10% for the year ended 30 June 2011 (2010 - 2.90% and 4.67%).

Receivables (Note 14) include client debtors and other debtors and are reported at amounts due.

The Commission is exposed to credit risk associated with amounts due from clients with respect to contributions for legal aid and other sundry charges. The credit risk relating to the financial asset recognised in the Statement of Financial Position is recorded at the carrying amount.

Allowance for impairment loss is based on past experiences and expected changes in client credit rating and is reviewed at each reporting date. As at 30 June 2011, there is no evidence to indicate that financial assets are impaired.

Financial Liabilities

Legal creditors are raised for amounts billed from private practitioners for approved cases undertaken but unpaid. They are normally settled within 30 days.

Creditors are raised for amounts billed but unpaid and are normally settled within 30 days.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

2.16 Private Practitioner Services

Comprise solicitor's fees, counsel fees and disbursements due to private practitioners for approved cases undertaken during the year.

2.17 Trust Funds

Pursuant to the Legal Practitioner's Act 1981 the Commission holds funds in trust on behalf of clients. As at 30 June 2011, the total funds held were \$68 000 (2010 - \$117 000). These funds are not controlled by the Commission. As such they are not recognised in the financial statements.

3. New and revised accounting standards and policies

In accordance with amendments to APS 4.8 within Accounting Policy Framework II General Purpose Financial Statements Framework, effective 1 July 2010, the Commission has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously, APS 4.8 within APF II required the Commission to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 4.

Except for AASB 2009-12, which the Commission has earlier adopted, the Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the reporting period 30 June 2011. The Commission has assessed the impact of the new amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Employee benefits expenses

	2011 \$'000	2010 \$'000
Salaries and wages	13 092	12 730
Superannuation	1 435	1 409
Long service leave	554	427
Payroll tax	314	307
Workers compensation	<u>75</u>	<u>78</u>
Total employee benefits expenses	15 470	14 951

Remuneration of employees

	Number of Employees	
	2011 No	2010 No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$127 500 to \$130 699*	-	-
\$130 700 to \$140 699	4	2
\$140 700 to \$150 699	3	3
\$150 700 to \$160 699	1	1
\$160 700 to \$170 699	1	-
\$170 700 to \$180 699	1	1
\$180 700 to \$190 699	1	1
\$190 700 to \$200 699	-	1
\$200 700 to \$210 699	1	-
\$230 700 to \$240 699	1	1
\$250 700 to \$260 699	1	1
\$300 700 to \$310 699	<u>-</u>	<u>1</u>
Total number of employees	14	12

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits.

The total remuneration received by these employees for the year was \$2 380 000 (2010 - \$2 231 000).

Accounting Policy Change

In accordance with the revised Accounting Policy Framework II *General Purpose Financial Statements Framework*, the Commission has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 17 for 2011 and 18 for 2010.

5. State Expensive Case matters

The Commission is required to provide litigation services pursuant to the Criminal Law (Legal Representation) Act 2001 for State matters that exceed the Commission's prescribed funding cap. These matters are separately funded by the State Government (refer Note 13).



Legal Services Commission of South Australia
Notes to and Forming Part of the Financial Statements 30 June 2011

074

6. Supplies and services

	2011 \$'000	2010 \$'000
Supplies and services provided by entities external to SA Government		
Accommodation	1 377	1 318
Computing and communications	852	807
Travel	189	131
Office requisites	256	257
Library	201	185
Consultancy fees	68	42
Other	<u>234</u>	<u>295</u>
Total supplies and services - Non SA Government entities	<u>3 177</u>	<u>3 035</u>
Supplies and services provided by entities within SA Government		
Accommodation	185	182
Computing and communications	226	251
Travel	61	57
Office requisites	10	19
Consultancy fees	-	15
Other*	<u>171</u>	<u>147</u>
Total supplies and services SA Government entities	<u>653</u>	<u>671</u>
Total supplies and services	<u>3 830</u>	<u>3 706</u>

*Includes Auditor's remuneration of \$58 000 (2010 - \$58 000), for auditing the accounts. The auditors provided no other services and received no other benefits.

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) that fell within the following bands:

	Number	2011 \$'000	Number	2010 \$'000
Below \$10,000	5	12	4	6
Between \$10 000 and \$50 000	<u>2</u>	<u>56</u>	<u>2</u>	<u>51</u>
Total paid/payable to the consultants engaged	<u>7</u>	<u>68</u>	<u>6</u>	<u>57</u>

7. Depreciation and amortisation expense

	2011 \$'000	2010 \$'000
Depreciation		
Plant and equipment	183	136
Total depreciation	<u>183</u>	<u>136</u>
Amortisation		
Leasehold improvements	86	87
Intangible assets	-	10
Total amortisation	<u>86</u>	<u>97</u>
Total depreciation and amortisation expense	<u>269</u>	<u>233</u>

8. Other expenses

	2011 \$'000	2010 \$'000
Statutory charge bad debts	43	28
Other bad debts	<u>54</u>	<u>47</u>
Total other expenses	<u>97</u>	<u>75</u>



Legal Services Commission of South Australia
Notes to and Forming Part of the Financial Statements 30 June 2011

9. Legal Practitioners Act revenue

In accordance with the *Legal Practitioners Act, 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia. Amounts related to the:

	2011	2010
	\$'000	\$'000
Statutory interest account	1 519	1 237
Interest on Legal Practitioners Trust account	2 154	1 679
Legal Practitioners Guarantee Fund	<u>163</u>	<u>3</u>
Total Legal Practitioners Act revenue	3 826	2 919

10. Costs recovered and contributions

	2011	2010
	\$'000	\$'000
Costs recovered	145	151
Contributions*	<u>289</u>	<u>261</u>
Total costs recovered and contributions	434	412

*In addition, contributions of \$635 000 (2010 - \$752 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

11. Other income

	2011	2010
	\$'000	\$'000
Other income from entities external to the SA Government	588	438
Other income from entities within the SA Government	<u>282</u>	<u>145</u>
Total other income	870	583

12. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services was entered into between the Commonwealth of Australia and States and Territories. The agreement was effective from 1 July 2010. Pursuant to that Agreement, the Commonwealth Government contributed funding of \$14 946 000 to South Australia. Under the prior funding arrangements, \$14 054 000 was received from the Commonwealth Government.

As at 30 June 2011, \$7 947 000 (2010 - \$8 191 000) remains in cash and cash equivalents for future commitments. Included in this amount is \$2 300 000 for accommodation projects.

The Legal Services Commission is also party to a separate agreement with the Commonwealth of Australia to provide services under the Immigration Advice and Application Assistance Scheme (IAAAS).

13. State Government

In 2010-11 the State Government contributed funding of \$18 047 000 (2010 - \$16 445 000).

The Legal Services Commission of South Australia is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved case management agreement with the State Government for these matters.

The State Government provided \$532 000 (2010 - \$373 000) for approved expensive cases that exceeded the Commission cap.

14. Receivables

	2011	2010
	\$'000	\$'000
Legal Practitioners Act debtors	917	879
Goods and Services Tax	287	284
Client debtors and other debtors	<u>431</u>	<u>214</u>
Total Current Receivables	1 635	1 377

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Legal Services Commission of South Australia
Notes to and Forming Part of the Financial Statements 30 June 2011

076

15. Other current assets

	2011	2010
	\$'000	\$'000
Prepayments	359	391
Prepaid salaries and wages	61	113
Total other current assets	420	504

16. Property, plant and equipment

	2011	2010
	\$'000	\$'000
Leasehold improvements at fair value	865	861
Less: Accumulated depreciation	629	318
Plant and Equipment at fair value	1 882	1 710
Less: Accumulated depreciation	1 391	502
Library	291	291
Total property, plant and equipment	1 018	1 111

Valuation of Library

The Commission obtained an independent revaluation of the library at market or fair value. The library collection comprises reports/major works, journals, loose-leaf services and a mix of dictionaries, encyclopaedias, statutes, etc. The revaluation was undertaken by the Australian Valuation Office, which valued the library at \$291 000.

16.1 Intangible assets

	2011	2010
	\$'000	\$'000
Computer software	89	83
Computer software in progress	504	-
	593	83
Less: Accumulated amortisation	83	83
Total intangible assets	510	-

16.2 Reconciliation of non-current assets

	Leasehold improvements	Plant and Equipment	Library	Property Plant & Equipment Total	Other Computer Software	Intangible Assets Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2010	861	1 710	291	2 862	83	83
Add: Additions	4	176	-	180	510	510
Adjustments	-	(4)	-	(4)	-	-
Balance at 30 June 2011	865	1 882	291	3 038	593	593
Accumulated Depreciation						
Balance at 1 July 2010	543	1 208	-	1 751	83	83
Add: Depreciation expense	86	183	-	269	-	-
Balance at 30 June 2011	629	1 391	-	2 020	83	83
Net Book Value						
As at 30 June 2010	318	502	291	1 111	-	-
As at 30 June 2011	236	491	291	1 018	510	510

Legal Services Commission of South Australia
Notes to and Forming Part of the Financial Statements 30 June 2011

17. Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2011 \$'000	2010 \$'000
Statutory charge debtors	5 049	4 618
	<u>5 049</u>	<u>4 618</u>

18. Payables

	2011 \$'000	2010 \$'000
Current		
Creditors	395	126
Accrued expenses	53	47
Employment on-costs	124	136
Total current payables	<u>572</u>	<u>309</u>
Non-current		
Employment on-costs	177	190
Total non-current payables	<u>177</u>	<u>190</u>
Total payables	<u>749</u>	<u>499</u>

19. Employee benefits

	2011 \$'000	2010 \$'000
Current		
Annual leave	849	886
Long service leave	148	191
Total current employee benefits	<u>997</u>	<u>1 077</u>
Non-current		
Long service leave	2 797	2 510
Total non-current employee benefits	<u>2 797</u>	<u>2 510</u>
Total employee benefits	<u>3 794</u>	<u>3 587</u>

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2010-11 is \$1 121 000 and \$2 974 000 respectively.

20. Other reserves

Movements during the year were:

	2011 \$'000	2010 \$'000
Commonwealth Expensive Case reserve:		
Balance at 1 July	100	100
Balance at 30 June	<u>100</u>	<u>100</u>
State Legal Assistance Scheme reserve:		
Balance at 1 July	-	228
Less: Transfer to retained earnings	-	228
Balance at 30 June	<u>-</u>	<u>-</u>
Total other reserves	<u>100</u>	<u>100</u>

Commonwealth Expensive Cases

The Commission did not use the Commonwealth Expensive Case allocation in 2010-11.

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Legal Services Commission of South Australia
Notes to and Forming Part of the Financial Statements 30 June 2011

078

21. Cash flow reconciliation

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flow is reconciled to the items in the Statement of Financial Position as follows:

	2011	2010
	\$'000	\$'000
Deposits at call - South Australian Financing Authority	15 100	13 500
Cash	<u>160</u>	<u>(7)</u>
Cash and cash equivalents as recorded in the Statement of Financial Position	15 260	13 493
Cash and cash equivalents as recorded in the Statement of Cash Flows	15 260	13 493

Reconciliation of net cash provided by operating activities to net cost of providing services:

	2011	2010
	\$'000	\$'000
Net cost of providing services	(31 126)	(31 807)
Add revenues provided by Government	33 619	30 912
Add/less non cash items		
Depreciation and amortisation	269	233
Bad debts	97	75
Changes in Assets/Liabilities		
Increase in Statutory Charge debtors	(431)	(437)
Increase in receivables	(355)	(260)
Decrease/(increase) in prepayments	84	(286)
Increase/(decrease) in employee provisions	207	(162)
Increase/(decrease) in payables	22	(154)
Decrease in legal payables	<u>(161)</u>	<u>(422)</u>
Net cash provided by (used in) operating activities	2 225	(2 308)

22. Legal expense commitments

As at 30 June 2011, the Commission has a future commitment of \$3 213 000 (2010 - \$4 548 000) on legal cases referred to private practitioners which are still to be finalised. The Commonwealth and State components are as follows:

	Commonwealth		State	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Legal expense commitments	1 202	1 355	2 011	3 193

In addition the Commission has a future commitment of \$1 279 000 (2010 - \$405 000) on State expensive cases which will be funded separately. The Commission is also funding a further 24 cases relating to murder. To date, none have been identified as potential expensive criminal cases because funding is in its early stages. However, history suggests that some may require additional funding.

The Commission reviewed outstanding legal commitments and determined that commitments less the underutilisation factor of 25.20% Commonwealth and 33.28% State (2010 - 24.38% and 32.93%) would be recognised on all outstanding amounts raised since January 2010 (ie the previous 18 months). Commitments raised prior to this date have not been recognised. If any file prior to this date is reactivated, new commitments will be raised.

In the normal course of business, further commitments may be required on recognised legal cases. It is not possible to quantify that amount.

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Legal Services Commission of South Australia
Notes to and Forming Part of the Financial Statements 30 June 2011

23. Commitments for expenditure

At the reporting date the Commission had the following obligations under non-cancellable operating leases. The obligations are not recognised as liabilities in the Statement of Financial Position. The operating leases held by the Commission are property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. The leases are payable one month in advance. The option to renew the lease is held by the Commission. There are no existing contingent rental provisions.

	2011	2010
	\$'000	\$'000
Operating Lease commitments:		
Not later than one year	466	438
Later than one year but not later than five years	<u>175</u>	<u>544</u>
Total operating lease commitments	<u>641</u>	<u>982</u>

	2011	2010
	\$'000	\$'000
Remuneration commitments:		
Not later than one year	2 607	2 946
Later than one year but not later than five years	<u>3 872</u>	<u>2 802</u>
Total remuneration commitments	<u>6 479</u>	<u>5 748</u>

The amounts disclosed as remuneration commitments, includes only those commitments arising from written contracts for executive and other written service contracts.

24. Related party disclosures

The members of the Commission who have held office during the financial year are:

Ms Dymphna Eszenyi (Chairman) Reappointed 20 January 2011

Mr Michael Burgess
Mr Michael Dawson
Mr Andrew English
Mr Hugh Gilmore
Mr David Mazzone Reappointed 17 January 2011
Mr David Meyer
Ms Tracee Micallef
Ms Wendy Purcell
Ms Maurine Pyke, QC. Reappointed 24 March 2011

The members of the Commission are appointed by the Governor in accordance with the provisions of the Legal Services Commission Act 1977 and include partners of legal firms. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally.

The number of members whose remuneration received or receivable fell within the following bands was:

	Number of Members	
	2011	2010
\$NIL	1	1
\$1 - \$10 000	1	2
\$10 001 - \$20 000	7	7
\$20 001 - \$30 000	<u>1</u>	<u>1</u>
Total	<u>10</u>	<u>11</u>

The total remuneration received or due and receivable by these members was \$118 000 (2010 - \$120 000).

Amounts paid to a superannuation plan for members was \$10 000 (2010 - \$10 000).

25. Contingent liabilities

At balance date and at the date of certification of the financial statements by the Commission there was no known contingent liability. However, legal expense commitments existed as disclosed at Note 22.

22

Legal Services Commission of South Australia
Certification of the Financial Report 30 June 2011

Legal Services Commission of South Australia

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Legal Services Commission of South Australia:

- complies with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian accounting standards;
- are in accordance with the accounts and records of the Legal Services Commission of SA; and
- presents a true and fair view of the financial position of the Legal Services Commission of SA as at 30 June 2011 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by Legal Services Commission of SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Chinh Dinh-Pham
FINANCE MANAGER
31 August 2011



Hugh James Gilmore
DIRECTOR
31 August 2011



David Meyer
ACTING CHAIRMAN
31 August 2011