

Financial overview

The Commission had a very successful financial year in 2004–2005, managing to constrain expenditure while at the same time increasing the number of client services.

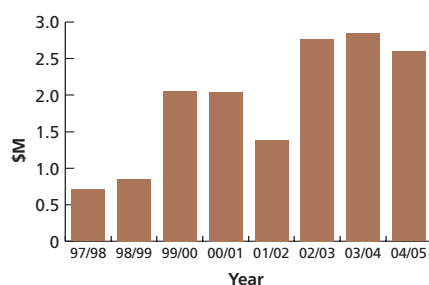
The Commission's financial result was a surplus of \$14.717 million, compared to a budgeted surplus of \$3.338. Two significant items contributed to the size of the surplus, being:

- A capital allocation from NSW Treasury of \$3.753 million. This results in a higher surplus in the year of acquisition, as the related depreciation expense is spread over a number of years; and
- A positive movement of \$3.087 million on the Commission's defined benefit superannuation schemes, which has the effect of reducing employee related expenses.

Excluding these two items, the surplus before capital items and individually significant items was \$7.877 million or 5.2% of 2004–2005 income before capital.

The 2004–2005 financial year represents the first time in three years that supplementary funding has not been required to address rapidly increasing costs of service delivery. This has been achieved partly through the cumulative effect of productivity measures introduced by the Commission in the past two years which are now starting to impact on expenditure. Another significant factor is that demand for the Commission's services is increasing at a slower rate than the rapid rise experienced in the past few years.

**State Criminal Law Assigned Case Expenditure
Where Total Cost of Case Above \$100,000
(including Co-Accused)**



For the first time in three years we did not require supplementary funding to address rapidly increasing costs of service delivery.

Notwithstanding, the Commission continues to experience high levels of complexity in cases in both the Criminal and Family Law jurisdictions which is keeping the cost of cases high. Expensive criminal law cases where the cost of the matter exceeds \$100,000 remained a significant issue for the Commission, although there was a slight decrease in expenditure from the 2003–2004 year as shown in the graph below.

The Commission's surplus in the 2004–2005 financial year has strengthened its financial position, and will allow the Commission to absorb the impact of the change to international accounting standards. The Commission will report under the Australian Equivalents to International Financial Reporting Standards in the 2005–2006 financial year. The major impact from the change in accounting standards is a revised method for measuring defined benefit superannuation plans. This change has the effect of increasing the Commission's superannuation liability by \$12.870 million as at 30 June 2005 compared with the result reported under existing standards. Accumulated funds will therefore decrease by the same amount (refer to Note 23, page 56, in the Financial Statements for additional information).

Income

The main sources of funding for the Commission are the State and Commonwealth Governments, the Public Purpose Fund and contributions from legally aided persons.

In 2004–2005, the State Government provided \$79.536 million (\$72.609 million in 2003–2004), the Trustees of the Public Purpose Fund \$19.594 million (\$18.918 million in 2003–2004) and the Commonwealth Government \$50.447 million (\$46.800 million in 2003–04).

Included in the funding from the Commonwealth Government was \$1.074 million (Nil in 2003–2004) in discretionary funding for expensive criminal cases costing above \$40,000 under Commonwealth legislation.

Funds provided by the State Government included \$3.753 million (\$0.796 million in 2003–2004) from the State Asset Acquisition program to finance improvements to the Commission's office accommodation, the expansion of electronic lodgement, the replacement of previously leased computers and the project to replace the Commission's core business system. \$0.752 million of Commonwealth funding was also used for this purpose.

Expenses

The Commission's major expenses are employee related expenses associated with the inhouse legal practice of \$51.111 million (\$49.919 million in 2003–2004) and payments made to private legal practitioners for services to clients for work undertaken on behalf of the Commission of \$60.047 million (\$64.883 million in 2003–2004).

Assets

Assets have increased significantly during 2004–2005 due to an unexpected positive movement of \$3.087 million in the Commission's superannuation position, the State Government's decision to purchase computer equipment that was previously leased and increased cash balances resulting from lower than expected expenditure by the Commission.

Liabilities

Liabilities have increased slightly due to increases in employee entitlements, predominantly as a result of salary increases affecting the expected cost of satisfying those entitlements.

Contents

Independent Audit Report	33,34
Statement by Members of the Board	35
Statement of Financial Performance	36
Statement of Financial Position	37
Statement of Cash Flows	38
Program Statement - Expenses and Revenues	39
Summary of Compliance with Financial Directives	40
Notes to and forming part of the Financial Report For the Year Ended 30 June 2005	41
Notes	
1 (a) - 1(p) Summary of Significant Accounting Policies	41
2 Expenses	44
3 Revenues	45
4 Gain/(Loss) on disposal of non-current assets	46
5 Appropriations	47
6 Individually Significant Items	47
7 Acceptance by the Crown Entity of Employee Entitlements and other Liabilities	47
8 Transfer Payments	47
9 Programs/Activities of the Commission	47
10 Current Assets – Cash	48
11 Current /Non-Current Assets - Receivables	48
12 Non-Current Assets - Plant and Equipment	49
13 Current/Non-Current Assets - Other	49
14 Current/Non-Current Liabilities - Payables	50
15 Current/Non-Current Liabilities - Provisions	50
16 Changes in Equity	51
17 Commitments for Expenditure	51
18 Contingent Liabilities and Contingent Assets	51
19 Budget Review	52
20 Reconciliation of Cash Flows from Operating Activities to Net Cost of Services	53
21 Trust Funds	54
22 Financial Instruments	54
23 Impact of Adopting Australian Equivalents to IFRS	55
24 After Balance Date Events	57
Other Information	
1 Payment Performance	58
2 Annual Reporting Legislation Requirements	59

Independent Audit Report for the Year Ended 30 June 2005



GPO BOX 12
Sydney NSW 2001

INDEPENDENT AUDIT REPORT

Legal Aid Commission of New South Wales

To Members of the New South Wales Parliament

Audit Opinion

In my opinion the financial report of the Legal Aid Commission of New South Wales:

- (a) presents fairly the Commission's financial position as at 30 June 2005 and its financial performance and cash flows for the year ended on that date, in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and
- (b) complies with section 41B of the *Public Finance and Audit Act 1983* (the Act).

My opinion should be read in conjunction with the rest of this report.

The Chief Executive Officer's Role

The financial report is the responsibility of the Chief Executive Officer of the Legal Aid Commission of New South Wales. It consists of the statement of financial position, the statement of financial performance, the statement of cash flows, the program statement - expenses and revenues, the summary of compliance with financial directives and the accompanying notes.

The Auditor's Role and the Audit Scope

As required by the Act, I carried out an independent audit to enable me to express an opinion on the financial report. My audit provides *reasonable assurance* to members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing and Assurance Standards and statutory requirements, and I:

- evaluated the accounting policies and significant accounting estimates used by the Chief Executive Officer in preparing the financial report, and
- examined a sample of the evidence that supports the amounts and other disclosures in the financial report.

An audit does *not* guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that the Chief Executive Officer had not fulfilled his reporting obligations.

...continued page 34

Independent Audit Report for the Year Ended 30 June 2005

My opinion does *not* provide assurance:

- about the future viability of the Commission,
- that the Commission has carried out its activities effectively, efficiently and economically,
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



M T Spriggins CA
Director, Financial Audit Services

SYDNEY
19 October 2005

**Statement by Members of the Board
for the Year Ended 30 June 2005**

Statement by Members of the Board

Pursuant to Section 41C(1B) of the *Public Finance and Audit Act 1983*, and in accordance with a resolution of the Legal Aid Commission of NSW, we declare on behalf of the Commission that in our opinion:

1. The statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, the applicable clauses of the *Public Finance and Audit Regulation 2000*, and Treasurer's Directions.
2. The accompanying financial statements exhibit a true and fair view of the financial position of the Legal Aid Commission of NSW as at 30 June 2005 and transactions for the year then ended.
3. There are no circumstances that render any particulars included in the financial statements to be misleading or inaccurate.
4. It should be noted that the Commission is required to bring to account as revenue all funds received from the Commonwealth during the year. When these funds are not fully spent, the balance is held for use in subsequent years and cannot be applied for any other purpose. In 2004/05 the Commission brought to account \$1.104 million more as revenue than was spent.



Phillip Taylor
Chairman



Bill Grant
Chief Executive Officer

18 October 2005

Statement of Financial Performance for the Year Ended 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
Expenses				
Operating Expenses				
Employee related	2(a)	51,111	53,142	49,919
Other operating expenses	2(b)	13,392	12,015	11,921
Maintenance		1,159	1,334	1,226
Depreciation and amortisation	2(c)	2,068	2,311	2,238
Grants and subsidies	2(d)	13,496	12,987	13,272
Other expenses	2(e)	60,047	63,314	64,883
Total Expenses		141,273	145,103	143,459
Less:				
Retained Revenue				
Sale of goods and services	3(a)	47,719	43,669	44,539
Investment income	3(b)	2,696	1,901	2,195
Grants and contributions	3(c)	26,271	24,693	24,458
Other revenue	3(d)	123	154	148
Total Retained Revenue		76,809	70,417	71,340
Loss on disposal of non-current assets	4	(41)	-	(63)
Net Cost of Services	20	64,505	74,686	72,182
Government Contributions				
Recurrent appropriation	5(a)	75,469	75,087	71,499
Capital appropriation	5(b)	3,753	2,937	796
Total Government Contributions		79,222	78,024	72,295
SURPLUS FOR THE YEAR FROM ORDINARY ACTIVITIES		14,717	3,338	113
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		-	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	16	14,717	3,338	113

The accompanying notes form part of these statements

Statement of Financial Position as at 30 June 2005

	Notes	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
ASSETS				
Current Assets				
Cash	10	36,253	27,426	26,738
Receivables	11	4,133	3,357	3,037
Other	13	724	1,206	1,206
Total Current Assets		41,110	31,989	30,981
Non-Current Assets				
Receivables	11	2,493	2,556	2,555
Plant and equipment	12	10,550	10,651	8,100
Other	13	3,302	215	215
Total Non-Current Assets		16,345	13,422	10,870
Total Assets		57,455	45,411	41,851
LIABILITIES				
Current Liabilities				
Payables	14	14,561	15,630	15,410
Provisions	15	5,434	3,658	3,658
Total Current Liabilities		19,995	19,288	19,068
Non-Current Liabilities				
Payables	14	2	-	-
Provisions	15	10,605	10,636	10,634
Other	14	20	33	33
Total Non-Current Liabilities		10,627	10,669	10,667
Total Liabilities		30,622	29,957	29,735
Net Assets		26,833	15,454	12,116
EQUITY				
Accumulated Funds	16	26,833	15,454	12,116
Total Equity		26,833	15,454	12,116

The accompanying notes form part of these statements

Statement of Cash Flows for the Year Ended 30 June 2005

	Note	Actual 2005 \$'000	Budget 2005 \$'000	Actual 2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(52,376)	(53,140)	(50,936)
Grants and subsidies		(13,496)	(12,987)	(13,272)
Other		(83,859)	(88,915)	(85,563)
Total Payments		(149,731)	(155,042)	(149,771)
Receipts				
Sale of goods and services		46,894	43,150	44,557
Interest received		2,617	1,901	2,148
Other		35,601	37,517	34,063
Total Receipts		85,112	82,568	80,768
Cash Flows from Government				
Recurrent appropriation		75,469	75,087	71,499
Capital appropriation		3,753	2,937	796
Net Cash Flows from Government		79,222	78,024	72,295
NET CASH FLOWS FROM OPERATING ACTIVITIES	20	14,603	5,550	3,292
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		28	-	410
Purchase of plant and equipment		(5,116)	(4,862)	(1,518)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(5,088)	(4,862)	(1,108)
NET INCREASE IN CASH		9,515	688	2,184
Opening cash and cash equivalents		26,738	26,738	24,554
CLOSING CASH AND CASH EQUIVALENTS	10	36,253	27,426	26,738

The accompanying notes form part of these statements

Program Statement – Expenses and Revenues for the Year Ended 30 June 2005

AGENCY EXPENSES AND REVENUES	Program 1* Family Law		Program 2* Criminal Law		Program 3* Civil Law		Program 4* Community Legal Services		Not Attributable		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Expenses												
Operating expenses												
Employee related	15,822	15,154	27,789	27,720	7,117	6,709	383	336	-	-	51,111	49,919
Other operating expenses	4,464	3,834	6,843	6,166	1,902	1,801	183	120	-	-	13,392	11,921
Maintenance	366	385	626	657	156	173	11	11	-	-	1,159	1,226
Depreciation and amortisation	720	750	1,052	1,154	284	330	12	4	-	-	2,068	2,238
Grants and subsidies	-	-	-	-	-	-	13,496	13,272	-	-	13,496	13,272
Other Expenses	22,739	24,944	33,836	36,765	3,472	3,174	-	-	-	-	60,047	64,883
Total Expenses	44,111	45,067	70,146	72,462	12,931	12,187	14,085	13,743	-	-	141,273	143,459
Retained Revenue												
Sale of goods and services	(36,624)	(35,043)	(6,092)	(4,038)	(5,003)	(5,458)	-	-	-	-	(47,719)	(44,539)
Investment income	(669)	(1,405)	(1,767)	(489)	(260)	(301)	-	-	-	-	(2,696)	(2,195)
Grants and contributions	(854)	(833)	(14,983)	(13,572)	(3,912)	(3,770)	(6,522)	(6,283)	-	-	(26,271)	(24,458)
Other revenue	(40)	(33)	(79)	(30)	(4)	(6)	-	(2)	-	(77)	(123)	(148)
Total Retained Revenue	(38,187)	(37,314)	(22,921)	(18,129)	(9,179)	(9,535)	(6,522)	(6,285)	-	(77)	(76,809)	(71,340)
(Gain)/Loss on disposal of non-current assets	(8)	28	-	24	-	-	-	-	49	11	41	63
NET COST OF SERVICES	5,916	7,781	47,225	54,357	3,752	2,652	7,563	7,458	-	(66)	64,505	72,182
Government Contributions **									(79,222)	(72,295)	(79,222)	(72,295)
NET EXPENDITURE (REVENUE)	5,916	7,781	47,225	54,357	3,752	2,652	7,563	7,458	(79,173)	(72,361)	(14,717)	(113)
NET EXPENDITURE (REVENUE) FOR THE YEAR	5,916	7,781	47,225	54,357	3,752	2,652	7,563	7,458	(79,173)	(72,361)	(14,717)	(113)

* The name and purpose of each program is summarised in Note 9

** Appropriations are made on an agency basis and not to individual programs. Consequently, government contributions must be included in the 'Not Attributable' column

Summary of Compliance with Financial Directives for the Year Ended 30 June 2005

2004

2005

	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Recurrent Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000	Capital Appropriation \$'000	Expenditure/ Net Claim on Consolidated Fund \$'000
ORIGINAL BUDGET APPROPRIATION/ EXPENDITURE								
Appropriation Act	75,087	75,087	2,937	1,140	67,499	67,499	2,179	796
Additional appropriations	511	382	-	-	-	-	-	-
S21A PF&AA - special appropriation	-	-	-	-	-	-	-	-
S24 PF&AA -Transfers of functions between departments	-	-	-	-	-	-	-	-
S26 PF&AA -Commonwealth specific purpose payments	-	-	-	-	-	-	-	-
	75,598	75,469	2,937	1,140	67,499	67,499	2,179	796
OTHER APPROPRIATIONS/EXPENDITURE								
Treasurer's Advance	-	-	129	129	1,230	1,230	-	-
Section 22 - expenditure for certain works and services	-	-	-	-	2,770	2,770	-	-
Transfers from another agency (section 27 of the Appropriation Act)	-	-	2,484	2,484	-	-	-	-
Enforced Savings - Reduction due to Capital Supplementation	(129)	-	-	-	-	-	-	-
	(129)	-	2,613	2,613	4,000	4,000	-	-
Total Appropriations/Expenditure/Net Claim on Consolidated Fund (includes transfer payments)	75,469	75,469	5,550	3,753	71,499	71,499	2,179	796
Amount drawn down against Appropriation		75,469		3,753		71,499		796
Liability to Consolidated Fund		-		-		-		-

Note: The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

1. The variance of \$1.797m between the Capital Appropriation and Net Claim on Consolidated Fund reflects lower than expected expenditure on the Enhanced Computer & Communications Systems project during 2004-05. This variance is a timing difference which will be addressed in future years.
2. Enforced savings of \$0.129m is based on the Commission's advice to Treasury of savings to recurrent expenditure as a result of the change from leasing to purchasing.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

1. Summary of significant accounting policies

(a) Reporting Entity

The Legal Aid Commission of NSW (the Commission), as a reporting entity, comprises all the operating activities under the control of the Commission. Transactions relating to the Legal Aid Commission Trust Account and the General Trust Fund are not included in the Statement of Financial Performance, Statement of Financial Position or Statement of Cash Flows of the Commission, as the Commission does not control or use these funds for the achievement of its objectives.

The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

(b) Basis of Accounting

The Commission's financial statements are a general purpose financial report which has been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- the requirements of the *Public Finance and Audit Act* and Regulations; and
- the Financial Reporting Directions published in the Financial Reporting Code for Budget Dependent General Government Sector Agencies or issued by the Treasurer under section 9(2)(n) of the *Act*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 "Accounting Policies" is considered.

The financial statements are prepared in accordance with the historical cost convention. All amounts are rounded to the nearest one thousand dollars and

are expressed in Australian currency.

(c) Administered Activities

The Commission does not administer or control any activities on behalf of the Crown Entity.

(d) Revenue Recognition

Revenue is recognised when the Commission has control of the good or right to receive, it is probable that the economic benefits will flow to the Commission and the amount of revenue can be measured reliably. Additional comments regarding the accounting policies for the recognition of revenue are discussed below.

(i) Parliamentary Appropriations and Contributions from other Bodies

Parliamentary appropriations and contributions from other bodies (including grants and donations) are generally recognised as revenues when the agency obtains control over the assets comprising the appropriations and contributions. Control over appropriations and contributions are normally obtained upon the receipt of cash.

An exception to the above is when appropriations are unspent at year-end. In this case, the authority to spend money lapses and generally the unspent amount must be repaid to the Consolidated Fund in the following financial year. As a result, unspent appropriations are now accounted for as liabilities rather than revenue. The Commission had no liability to the Consolidated Fund as at 30 June 2005.

(ii) Sale of Goods and Services

Revenue from the sale of goods and services comprises contributions by legally aided clients toward the cost of the service provided by the Commission and funding provided by the Commonwealth for the provision of legal assistance to clients under Commonwealth law. Contributions by legally aided clients and the Commonwealth

funding are recognised as revenue when the Commission obtains control of the assets that result from them.

(iii) Investment income

Interest revenue is recognised as it accrues.

(e) Employee Benefits and other provisions

(i) Salaries and Wages, Annual Leave, Sick Leave, Accrued Flex Leave and On-costs

Liabilities for salaries and wages (including non-monetary benefits), annual leave and accrued flex leave are recognised and measured in respect of employees' services up to the reporting date at nominal amounts based on the amounts expected to be paid when the liabilities are settled. Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the entitlements accrued in the future.

The outstanding amounts of payroll tax and workers' compensation insurance premiums which are consequential to employment, are recognised as liabilities and expenses where the employee entitlements to which they relate have been recognised. Refer to Note 15.

(ii) Long Service Leave and Superannuation

AASB 1028 requires that employee benefit liabilities such as long service leave, that are expected to be settled more than 12 months after the reporting date, must be measured as the present value of the estimated future cash outflows to be made by the employer in respect of services provided by employees up to the reporting date. This calculation must take into account future increases in remuneration rates as they will increase the amount that the employer is required to pay to settle the liability.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

AASB 1028 also states that on-costs ie. costs that are consequential to the employment of employees, but which are not employee benefits, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised and are accordingly measured as the present value of the estimated cash outflows.

Provision has been made to meet the liability for long service leave entitlements of all employees with a minimum of five years appropriate service and are based on the remuneration rates at year-end measured as the present value of future cash outflows as specified in the Treasurer's Directions.

The Commission's superannuation position is calculated based on economic assumptions determined by the independent actuary, William Mercer Ltd, as advised by the SAS Trustee Corporation. Any variation between the Commission's gross superannuation liability and employer reserve account balance is recognised in the Statement of Financial Position as an unfunded liability or prepaid contribution. Refer to Notes 2(a), 6, 13 & 19.

(iii) Other Provisions

Other provisions exist when the entity has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events. These provisions are recognised when it is probable that a future sacrifice of economic benefits will be required and the amount can be measured reliably.

Any provisions for restructuring are recognised either when a detailed formal plan has been developed or will be developed within prescribed time limits and where the entity has raised a valid expectation in those affected by the restructuring that it will carry out the restructuring.

(f) Insurance

The Commission's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past experience.

(g) Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the Commission as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

(h) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Commission. Cost is determined as the fair value of the assets given as consideration plus the costs incidental to the acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction. Items of plant and equipment having a purchase cost of more than \$1,000 are capitalised and depreciated over their estimated useful life. Assets of \$1,000 or less that are at risk of theft, are monitored, kept on a register, and treated as an expense in the month of purchase.

(i) Revaluation of Physical Non-Current Assets

Physical non-current assets are valued in accordance with the "Guidelines for the Valuation of Physical Non-Current Assets at Fair Value" (TPP 03-02). This policy adopts fair value in accordance with AASB 1041 from financial years beginning on or after 1 July 2002. There is no substantive difference between the fair value valuation methodology and the previous valuation methodology adopted in the NSW public sector.

Where available, fair value is determined having regard to the highest and best use of the asset on the basis of current market selling prices for the same or similar assets. Where market selling price is not available, the asset's fair value is measured as its market buying price ie the replacement cost of the asset's remaining future economic benefits.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

The recoverable amount test has not been applied, as the Commission is a not-for-profit entity whose service potential is not related to the ability to generate cash flows.

(j) Depreciation of Non-Current Physical Assets

Depreciation is provided for on a straight line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Commission. Leasehold improvements are amortised over the unexpired period of the lease or estimated useful life whichever is the lesser. Contractor's fees relating to the Computer Replacement Project and the E-Lodgement project are capitalised. Refer to Notes 1(i), 2(c) & 12.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	%
Computer Equipment	20
Contractors Fees relating to Computer Replacement & E-Lodgement Projects	20
Office Equipment	15
Furniture and Fittings	12.5*
Motor Vehicles	7

*Or the term of the lease

(k) Maintenance and Repairs

The costs of maintenance are charged as expenses are incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

(l) Trust Funds

The Commission receives monies in a trustee capacity for trusts as set out in Note 21. As the Commission performs a custodial role in respect of these monies, and because the monies cannot be used for the achievement of the Commission's own objectives, they are not brought to account in the financial statements.

(m) Estimated Commitment for Legal Expenditure

An estimate of the net cost of work in progress by external legal practitioners for referred casework undertaken but not invoiced as at balance date has been included as a provision in the financial statements. Refer to Notes 2(e) & 14. The estimated net cost of referred work that is yet to be performed on current grants of aid is disclosed by way of a note. Refer to Note 17(a). An assessment of the future commitment of incomplete in-house cases has not been undertaken as the present costing systems do not allocate costs to individual cases.

(n) Receivables

Receivables are recognised and carried at the original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(o) Leases

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. The Commission does not have any finance leases. Refer to Note 17(b).

(p) Budgeted amounts

The budgeted amounts are drawn from the budgets as formulated at the beginning of the financial year and with any adjustments for the effects of additional appropriations, s 21A, s 24 and/or s 26 of the *Public Finance and Audit Act 1983*.

The budgeted amounts in the Statement of Financial Performance and the Statement of Cash Flows are generally based on the amounts disclosed in the NSW Budget Papers (as adjusted above). However, in the Statement of Financial Position, the amounts vary from the Budget Papers, as the opening balances of the budgeted amounts are based on carried forward actual amounts ie per the audited financial statements (rather than carried forward estimates). Refer to Note 19.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	2005 \$'000	2004 \$'000
2. Expenses		
(a) Employee related expenses comprise the following specific items:		
Salaries and wages (including recreation leave)	44,608	42,347
Superannuation	1,467	2,839
Long Service Leave	1,718	1,316
Workers' compensation insurance	275	326
Payroll tax	3,043	3,091
Total	51,111	49,919

Salaries and wages include payment of salaries and allowances, leave loading, leave on termination, recreation leave, medical examination costs and redundancy payments.

Salaries and wages expenditure capitalised in 2004/05 was \$0.624m (\$0.229m in 2003/04)

The Commission's Prepaid Superannuation Contributions Reserve (PSCR) for 2004/05 increased by \$3.087m (increased by \$1.073m in 2003/04) as a result of the actuarial review of the State Authorities Superannuation Board Pooled Fund as at 30 June 2005.

The increase of the PSCR is shown as an Individually Significant item. Refer to Notes 1(e)(ii), 6, 13 and 19.

(b) Other operating expenses

Operating lease—minimum lease payments	5,667	5,257
Telephone	660	647
Library resources	601	624
Consultants	295	155
Stationery, stores and provisions	384	468
Computer running costs	1,402	1,025
Printing	169	207
Records management	419	420
Travel compensation	459	554
Interpreters' fees (non-case)	256	274
Postage	365	299
Cleaning	199	192
Practicing certificates	184	193
Electricity and gas	206	192
Insurance	98	109
Auditor's remuneration - audit or review of financial reports	60	92
Internal audit and audit of Trust Account	80	46
Courier and freight	44	45
Bad and doubtful debts	292	35
Expenses written back	529	-
Other	1,023	1,087
Total	13,392	11,921

(c) Depreciation and amortisation expenses

Fit-out costs - Office accommodation	896	930
Office Equipment	163	169
Motor Vehicles	6	26
Computer Replacement Project	121	560
Desktop Replacment 2005	209	-
Computer equipment	654	540
Low value assets	19	13
Total	2,068	2,238

Refer to Notes 1(i), 1(j) & 12.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	2005 \$'000	2004 \$'000
(d) Grants and Subsidies		
Domestic Violence Court Assistance Program	3,264	3,166
Community Legal Centres	10,232	10,106
Total	13,496	13,272

Grants to Community Legal Centres are funded by way of specific Commonwealth and discretionary State funds.

(e) Other expenses

Solicitor services provided by private practitioners	35,919	38,992
Barrister services provided by private practitioners	17,031	18,715
Disbursements	7,097	7,176
Total	60,047	64,883

Includes a provision for the estimated net cost of work in progress by external legal practitioners who have provided services but not submitted an invoice to the Commission at balance date.

3. Revenues

(a) Sale of goods and services

Family Law	1,294	1,043
Criminal Law	1,349	635
Civil Law	992	1,287
Commonwealth funding ¹	44,084	41,574
Total	47,719	44,539

¹Base funding of \$44.084m (\$41.574m in 2003/04) was received from the Commonwealth Government under the Provision of Legal Assistance Agreement. This is a four-year agreement between the Commission and the Commonwealth that commenced on 1 July 2004. In the first year of the agreement, income exceeded expenditure by \$1.104m (expenditure exceeded income by \$4.239m in 2003/04).

(b) Investment Income

Interest on outstanding accounts	113	117
Interest on cash assets	2,583	2,078
Total	2,696	2,195

Refer to Notes 1(d)(iii) & 22(c)

(c) Grants and contributions

Law Society Public Purpose Fund ¹	19,594	18,918
Commonwealth Government Community Legal Centre base grants ²	5,063	5,052
Other grants and contributions ³	1,614	488
Total	26,271	24,458

¹ This fund provided a grant of \$18.385m (\$17.780m in 2003/04) to provide legal aid services in State matters.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	2005	2004
	\$'000	\$'000
Other specific grants from this fund include:		
Environmental Defenders Office	462	562
Public Interest Advocacy Centre	536	476
Expansion of Court assistance to children	211	100
Total	1,209	1,138

²\$5.063m in Community Legal Centre (CLC) base grants (\$5.052m in 2003/04) received from the Commonwealth Government were distributed to various CLCs. The amount of the grant to individual CLCs is determined by the Commonwealth.

³Other grants and contributions include:

• Part of the Commonwealth Government Community Legal Centre base grants used to meet administrative costs	95	92
• Commonwealth Government special purposes funds for refugee matters under separate contract	131	82
• State Department of Juvenile Justice for the Juvenile Justice Visiting Legal Service	147	166
• State Attorney General's Department Youth Drug Court	86	60
• State Attorney General's Department to establish and run video conferencing facilities within the Commission	81	88
• Commonwealth Government special funding for expensive criminal cases	1,074	-
Total	1,614	488

(d) Other revenue

Miscellaneous	123	148
Total	123	148

(e) Restrictions on contributions received

All funds received from the Commonwealth in a financial year are required to be brought to account as revenue in that reporting period. Any funds not spent in a year must be carried forward for use in subsequent years and may not be applied for any other purpose. The Commission will carry forward \$1.104m of unspent revenue in 2004/05 to be utilised in future years (in 2003/04 no funds were carried over as expenditure exceeded revenue by \$4.239m). Refer to Note 3(a).

4. Loss on disposal of non-current assets

Proceeds from disposal of plant and equipment	28	410
Less: Written down value of assets disposed	69	473
Net loss on disposal of plant and equipment	(41)	(63)

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

2005
\$'000 2004
\$'000

5. Appropriations

(a) Recurrent Appropriations

Funds were received through the Consolidated Fund (per summary of compliance) to meet operational requirements as follows:

Total recurrent drawdowns from Treasury (per Summary of Compliance) ¹	75,469	71,499
--	--------	--------

Total	75,469	71,499
--------------	---------------	---------------

Comprising:

Recurrent appropriations (per Statement of Financial Performance)	75,469	71,499
---	--------	--------

Total	75,469	71,499
--------------	---------------	---------------

¹The Consolidated Fund Appropriation includes State Government's special purpose recurrent funding and other specific schemes.

(b) Capital Appropriations

Total capital drawdowns from Treasury (per Summary of Compliance)	3,753	796
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Total	3,753	796
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Comprising:

Capital appropriations (per Statement of Financial Performance)	3,753	796
---	-------	-----

Total	3,753	796
--------------	--------------	------------

6. Individually significant items

The increase in the Prepaid Superannuation Contributions Reserve from \$0.215m in 2003/04 to \$3.302m as at 30 June 2005 was taken up as a reduction in the State Authorities Superannuation expense for the year. Refer to Notes 1(e)(ii), 2(a), 13 & 19.	(3,087)	(1,073)
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Total	(3,087)	(1,073)
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7. Acceptance by the crown entity of employee entitlements and other liabilities

There are no liabilities and/or expenses that have been assumed by the Crown Entity or other government agencies.

8. Transfer payments

The Commission did not have any transfer payments in 2004/05.

9. Programs/activities of the Commission

Program 1:

Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships

Objective:

To provide legal services for eligible persons under Commonwealth Family law and relevant State legislation.
To promote the role of alternative dispute resolution in family law matters.

Program 2:

Legal Aid and Other Legal Services for Eligible Persons in Criminal Law Matters

Objective:

To provide legal services for eligible persons in relation to criminal charges, including domestic violence.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

Program 3:

Legal Aid and Other Legal Services for Eligible Persons in Civil Law Matters

Objective:

To provide legal services for eligible persons in civil law matters that fall within Commission guidelines.

Program 4:

Funding for Community Legal Centres and Other Community Legal Services

Objective:

To provide community based legal services in generalist and specialised legal areas. To provide court assistance and other support to female victims of domestic violence. To undertake community legal education and provide advice to the socially and economically disadvantaged.

	2005 \$'000	2004 \$'000
10. Current assets - cash		
Cash at bank and on hand	1,152	3,537
Deposits at call and short term	35,101	23,201
Total Cash	36,253	26,738

Refer to Notes 22(a) & 22(c).

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and deposits on call and short term.

Cash assets recognised in the Statement of Financial Position are reconciled to the cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

Cash (per Statement of Financial Position)	36,253	26,738
Closing Cash and Cash Equivalents (per Statement of Cash Flows)	36,253	26,738

11. Current/Non-Current assets - Receivables

Current

Client contributions/recoveries receivable	1,258	1,193
Less: Provision for doubtful debts	287	283
	971	910
Other debtors	435	108
GST recoverable from Australian Taxation Office	2,727	2,019
Total Current	4,133	3,037

Non-Current

Client contributions/recoveries receivable	3,882	4,000
Less: Provision for doubtful debts	1,389	1,445
Total Non-Current	2,493	2,555

Client contributions/recoveries receivable (both current and non-current) in the amount of \$3.238m (\$3.315m in 2003/04) are secured by way of caveat.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	2005 \$'000	2004 \$'000
12. Non-Current assets—Plant and Equipment		
Plant and Equipment		
At Cost	25,053	20,635
Less: Accumulated Depreciation at Cost	14,503	12,535
Total Plant and Equipment At Net Book Value	10,550	8,100

Refer Notes 1(i), 1(j) & 2(c).

Reconciliations

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year are set out below.

Plant and Equipment

Carrying amount at start of year	8,100	9,293
Additions	5,116	1,518
Disposals	(169)	(1,560)
Expenses written back	(529)	-
Depreciation expense	(2,068)	(2,238)
Write back on disposal	100	1,087
Carrying amount at end of year	10,550	8,100

13. Current/Non-Current assets—Other

Current

Prepayments - Other	724	1,206
Total Current	724	1,206

Non-Current

Prepaid Superannuation Contributions Reserve ¹	3,302	215
Total Non-Current	3,302	215

¹Represents the balance of the Prepaid Superannuation Contributions Reserve held by the State Authorities Superannuation Trustee Corporation (STC) in 2004/05 (\$0.215m in 2003/04). The Prepaid Superannuation Contributions Reserve includes interest earned by the reserve. Refer to Notes 1(e)(ii), 2(a), 6 & 19.

The position of the superannuation funds at 30 June 2005 is as follows:

	SASS Employer's Reserve \$'000	SANCS Employer's Reserve \$'000	SSS Employer's Reserve \$'000	Total \$'000
Accrued Liability as at 30 June 2005	9,390	3,698	24,217	37,305
Less: Estimated Reserve Account				
Closing Balance as at 30/06/05	8,190	3,766	28,651	40,607
Prepaid Contributions as at 30/06/05	(1,200)	68	4,434	3,302

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

The calculation of SSS, SASS and SANCS liabilities is based on the requirements of AAS25. The SAS Trustee Corporation advised the financial assumptions applied by the Actuary, William Mercer Ltd, for the calculations are:

	2005/06	2006/07 and thereafter
	%	%
Discount rate	7.0	7.0
Rate of salary increase	4.0	4.0
Rate of increase in CPI	2.5	2.5
	2005	2004
	\$'000	\$'000

14. Current/Non-Current Liabilities – Payables

Current

Accrued salaries, wages and on-costs	301	225
Legal	2,854	2,806
Administrative	1,902	1,777
Prepaid grants received	104	284
Provision for estimated legal expenses ¹	9,400	10,318
Total Current	14,561	15,410

Non-Current

Provision for estimated legal expenses ¹	2	-
Other ²	20	33
Total Non-Current	22	33

¹Being provision for the estimated net cost of work in progress by external legal practitioners who have not submitted claims to the Commission at balance date. The allocation between current and non-current is system-generated and based on the experience of payment of accounts within 1 year and over 1 year of the work done by external legal practitioners. Refer to Notes 1(m) & 2(e).

²Represents the written down value of a \$40,000 incentive received for renewing the lease for Newcastle office accommodation in January 2004. It will be written off against rental expense over 3 years.

15. Current/Non-Current Liabilities – Provisions

Current

Employee benefits and related on-costs

Provision for recreation leave	3,846	2,703
Provision for long service leave	933	410
Provision for related on-costs	655	545
Total Current	5,434	3,658

Non-Current

Employee benefits and related on-costs

Provision for recreation leave	717	1,354
Provision for long service leave	8,868	8,359
Provision for related on-costs	1,020	921
Total Non-Current	10,605	10,634

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	2005 \$'000	2004 \$'000
Aggregate employee benefits and related on-costs		
Provisions - current	5,434	3,658
Provisions - non-current	10,605	10,634
Accrued salaries, wages and on-costs (Note 14)	301	225
Total	16,340	14,517

16. Changes in Equity

Accumulated Funds		
Balance at the beginning of the financial year	12,116	12,003
Surplus for the year	14,717	113
Balance at the end of the financial year	26,833	12,116

17. Commitments for expenditure

(a) Other Expenditure Commitments

Aggregate other expenditure contracted for at balance date and not provided for in the financial statements:

Not later than one year

Outstanding purchase orders	66	85
Estimated future commitment of external legal services ¹	30,541	34,074

Later than one year and not later than 5 years

Estimated future commitment of external legal services ¹	5,991	6,684
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Total (including GST)	36,598	40,843
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¹Represents the estimated future commitment for external legal services provided for both inhouse and assigned grants of aid. The future internal cost of cases conducted by the Commission's inhouse practice has been excluded because the amount of the liability cannot be reliably measured.

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	4,793	6,099
Later than one year and not later than 5 years	15,941	18,087
Later than 5 years	2,654	5,302

Total (including GST)	23,388	29,488
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Refer to Note 1(o).

The operating lease commitments above relate to the rental of office accommodation and supply of computer hardware. The total commitments in (a) and (b) above include input tax credits of \$5.453m (\$6.394m in 2003/04) that are expected to be recoverable from the Australian Taxation Office.

18. Contingent liabilities and contingent assets

The Commission has no contingent liabilities or assets in 2004/05.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

19. Budget review

Statement of Financial Performance

Net Cost of Services

Net Cost of Services was under budget by \$10.181m and was due primarily to:

- an increase in the value of the prepaid Superannuation Contribution Reserve held by the SAS Trustee Corporation resulting in a downward non-cash adjustment of \$3.087m in the superannuation liability, and corresponding reduction in Employee Related expenses. Refer notes 1(e)(ii), 2(a), 6 & 13.
- under budget expenditure on Other Expenses, reflecting lower payments to external legal practitioners than had been anticipated in the budget.

Recurrent Appropriation

Compared to budget, the positive variation of \$0.382m reflects increased funding from the State Government to meet the salary award increase effective 1 July 2005.

Capital Appropriation

The Capital Appropriation was over budget by \$0.816m or 28%, which resulted from the NSW Government's decision to purchase computer equipment rather than acquire equipment through a lease arrangement. The Commission was funded by the NSW Government for this change, although the capital appropriation was not reflected in the initial budget.

Statement of Financial Position

Assets and Liabilities

Current Assets

Cash - \$8.827m or 32% over budget

The variation is due mainly to lower than budgeted payments to private legal practitioners undertaking work on behalf of the Commission in 2004/05.

Receivables - \$0.776m or 23% over budget

The increase in receivables predominantly reflects higher than budgeted GST input tax credits recoverable from the Australian Taxation Office at year end.

Other - \$0.482m or 40% under budget

The variation is due to a lower level of prepayments for goods and services than was anticipated in the budget.

Non-Current Assets

Other - \$3.087m or 1436% over budget

The variation to budget reflects a significant increase in the Prepaid Superannuation Contributions Reserve to \$3.302m from a small surplus of \$0.215m as at 30 June 2004 which was not anticipated at the time of setting the budget.

Current Liabilities

Payables - \$1.069m or 7% under budget

The variation is predominantly due to:

- a decrease in the estimate of work assigned to private legal practitioners but not invoiced at balance date; and
- a decrease in the value of claims received from creditors but not paid.

Provisions - \$1.776m or 49% over budget

The variation represents higher than budgeted provisions for accrued employee entitlements.

Non-Current Liabilities

Other - \$0.013m or 39% under budget

The variation is due to the write down of a lease incentive for office accommodation in 2003/04 that was not taken up in the budget. Refer note 14.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

Statement of Cash Flows

Cash Flows from Operating Activities

Payments

Other - \$5.056m or 6% under budget

The variation predominantly reflects lower than budgeted expenditure on private legal practitioners than had been anticipated in the budget.

Receipts

Sale of Goods and Services - \$3.744m or 9% over budget

The favourable variance is partly due to additional funding from the Commonwealth Government resulting from the signing of a new agreement with the Commonwealth for the provision of legal aid in matters under Commonwealth Law. The Commission had not signed the agreement at the time of framing its budget, and could not include the funding escalation in its budget as receipt of the funds was uncertain.

In addition, the Commonwealth Government provided funding for expensive criminal cases under Commonwealth legislation as provided for in the newly signed agreement, and provided increased funding for Community Legal Centres, which were not provided for in the budget.

Interest Received - \$0.716m or 38% over budget

This variation is due to higher than expected cash balances held during the year.

Other - \$1.916m or 5% under budget

The variation reflects an over-estimate in the budget of the other receipts that would be received during the financial year.

Cash Flows from Government

Recurrent Appropriation - \$0.382m or 1% over budget

Reflects the additional funding from the State Government to meet the salary award increase effective 1 July 2005.

Capital Appropriation - \$0.816m or 28% over budget

The Capital Appropriation was over budget as a result of the NSW Government's decision to purchase computer equipment rather than acquire equipment through a lease arrangement. The Commission was funded by the NSW Government for this change, although the capital appropriation was not reflected in the initial budget.

Cash Flows from Investing Activities

Proceeds from sale of plant and equipment - \$0.028m or 100% over budget

Reflects the sale of computer equipment not provided for in the budget.

Purchase of plant and equipment - \$0.254m or 5% over budget

The NSW Government's decision to purchase computer equipment rather than acquire equipment through a lease arrangement resulted in higher than budgeted purchases of plant and equipment.

2005
\$'000 **2004**
\$'000

20. Reconciliation of cash flows from operating activities to net cost of services

Reconciliation of cash flows from operating activities to the net cost of services as reported in the Statement of Financial Performance:

Net cash from operating activities	(14,603)	(3,292)
Cash flows from Government/Appropriations	79,222	72,295
Depreciation and amortisation	2,068	2,238
Expenses written back	529	-
(Increase)/decrease in provision for doubtful debts	52	139
Increase/(decrease) in provisions	1,747	307
(Increase)/Decrease in prepayments and other assets	(3,691)	(535)
(Decrease)/increase in creditors	(860)	967
Net loss/(gain) on disposal of plant equipment	41	63
Net cost of services	64,505	72,182

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	2005 \$'000	2004 \$'000
21. Trust funds		
The Commission administers, but does not control the funds in the following trusts:		
Legal Aid Commission General Trust Fund ¹		
Cash balance at the beginning of the financial year	195	444
Add: Receipts	-	-
Less: Expenditure	-	249
Cash balance at the end of the reporting period	195	195
Legal Aid Commission Trust Account ²		
Cash balance at the beginning of the financial year	444	227
Add: Receipts	1,625	2,326
Less: Expenditure	1,451	2,109
Cash balance at the end of the reporting period	618	444

As the Commission performs only a custodial role in respect of trust monies, and because the monies cannot be used for the achievement of its objectives, the definition criteria for assets is not met and trust funds are not brought to account in the financial statements, but are included here for information purposes. Refer to Note 1(l).

¹Legal Aid Commission General Trust Fund

Pursuant to Section 63(3) of the *Legal Aid Commission Act 1979*, a separate account is maintained for verdict and settlement moneys held on behalf of legally aided persons represented by private practitioners, substantially in the civil law program. The Commission may recover some costs upon finalisation of these matters.

²Legal Aid Commission Trust Account

Pursuant to Section 64A of the *Legal Aid Commission Act 1979*, a Legal Aid Commission Trust Account is maintained for verdict and settlement moneys held on behalf of legally aided persons represented by Commission in-house practitioners. The Commission may recover some costs upon finalisation of these matters.

22. Financial instruments

(a) Cash

Cash comprises cash on hand and Commission funds that are held in advance accounts, the general operating bank account and deposits at call and short term with TCorp. Interest is earned on the daily balances of the bank accounts and deposits at call and short term with TCorp. Refer to Notes 10 & 22(c). The average rate of interest earned on bank accounts was 5.0%.

(b) Receivables

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists. The credit risk is the carrying amount (net of any provision for doubtful debts) which approximates net fair value. Interest is charged on overdue trade debtors' accounts under section 71A of the *Legal Aid Commission Act 1979* as amended and applicable interest rates were as follows:

- overdue debt (Section 31A of *Legal Aid Commission Act*) – 4.5% (half of local court rate)
- local court judgements (Section 39 of *Local Court (Civil Claims) Act*) – 9.0%
- family court judgements (Section 117B of *Family Law Court Act*) – 10.25%.

(c) Authority Deposits

The Commission has placed funds on deposit with TCorp, which has been rated "AAA" by Standard and Poors. These deposits are similar to money market or bank deposits and can be placed "at call" or for a fixed term. The interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

	2005 Carrying Amount \$'000	2005 Net Fair Value \$'000	2004 Carrying Amount \$'000	2004 Net Fair Value \$'000
At call	7,101	7,101	8,201	8,201
Less than one year	28,000	28,000	15,000	15,000
Total	35,101	35,101	23,201	23,201

The deposits at balance date were earning an average interest rate of 5.58% (2003/04 5.34%), while over the year the average interest rate was 5.41% (2003/04 5.14%) on a weighted average deposit of \$45.031m (2003/04 \$37.771m) during the year. No deposits were held for more than one year.

(d) Bank Overdraft

The Commission does not have a bank overdraft facility.

(e) Trade Creditors and Accruals

The liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. If trade terms are not specified, payment is made within 14 days from the date of the receipt of the invoice. The Commission did not incur any penalty interest for late payment of claims.

23. Impact of Adopting Australian Equivalents to IFRS

The Legal Aid Commission of New South Wales (the Commission) will apply the Australian equivalents to International Financial Reporting Standards (AEIFRS) from 2005/06. The following strategy is being implemented to manage the transition to AEIFRS:

- The Commission has established an AEIFRS Implementation Committee to oversee the transition. The Director Corporate Finance is responsible for the project, and reports regularly to the Committee on progress against the plan.
- For successful implementation, the following phases need to be completed by the identified target dates.

1. Analyse AEIFRS to identify the impact on the Commission:	30 Sep 2004
2. Identify impact of NSW Treasury mandated accounting treatment:	31 Oct 2004
3. Prepare draft 2004-05 Opening Balance Sheet under AEIFRS:	15 Dec 2004
4. Prepare final 2004-05 Opening Balance Sheet under AEIFRS:	31 Mar 2005
5. Develop note disclosure for 2004-05 annual financial statements in accordance with AASB 1047:	31 Aug 2005
6. Prepare 2004-05 comparative data under AEIFRS for 2005-06 annual financial statements:	30 Jun 2006
7. Prepare 2005-06 annual financial statements under AEIFRS:	Mid-Jul 2006

To date, the Commission has completed items 1 to 5 in the abovementioned strategy. In addition, officers of the Commission continue to attend information sessions and training relating to the introduction of AEIFRS, and continue to clarify the impact of adoption of AEIFRS on the Commission. Briefings have been provided to the Commission's Chief Executive Officer, Audit and Finance Committee of the Board of Directors and the Board of Directors.

The Commission has determined the key areas where changes in accounting policies are likely to impact the financial report. Some of these impacts arise because AEIFRS requirements are different from existing AASB requirements (AGAAP). Other impacts are likely to arise from options in AEIFRS. To ensure consistency at the whole of government level, NSW Treasury has advised agencies of options it is likely to mandate for the NSW Public Sector. The impacts disclosed below reflect Treasury's likely mandates (referred to as "indicative mandates").

Shown below are management's best estimates as at the date of preparing the 30 June 2005 financial report of the estimated financial impacts of AEIFRS on the Commission's equity and profit/loss. The Commission does not anticipate any material impacts on its cash flows. The actual effect of the transition may differ from the estimated figures below because of pending changes to the AEIFRS, including the UIG Interpretations and/or emerging accepted practice in their interpretation and application. The Commission's accounting policies may also be affected by a proposed standard to harmonise accounting standards with Government Finance Statistics (GFS), however the impact is uncertain because it depends on when this standard is finalised and whether it can be adopted in 2005/06.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

(a) Reconciliation of key aggregates

Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:

	Notes	30 June 2005** \$'000	1 July 2004* \$'000
Total equity under AGAAP		26,833	12,116
Adjustments to accumulated funds			
Derecognition of intangible assets	1	(30)	(90)
Defined benefit superannuation adjustment for change in discount rate	2	(12,870)	(6,497)
Effect of discounting long-term annual leave	3	55	104
Recognition of restoration costs	4	(501)	-
Adjustments to other reserves			
Nil		-	-
Total equity under AEIFRS		13,487	5,633

*adjustments as at the date of transition

**cumulative adjustments as at date of transition plus the year ended 30 June 2005

Reconciliation of surplus under AGAAP to surplus under AEIFRS:

Year ending 30 June 2005	Notes	\$'000
Surplus under AGAAP		14,717
Derecognition of intangible assets	1	60
Defined benefit superannuation adjustment for change in discount rate	2	(6,373)
Effect of discounting long-term annual leave	3	(49)
Recognition of restoration costs	4	(501)
Surplus under AEIFRS		7,854

Based on the above, if AEIFRS were applied in 2004/05 this would increase the Net Cost of Services from \$64,505 to \$71,368.

Notes to tables above

1. AASB 138 *Intangible Assets* requires all research costs to be expensed and restricts the capitalisation of development costs. Current AGAAP permits some research and development costs to be capitalised when certain criteria are met. As a result, some currently recognised intangible assets will need to be derecognised. Further, intangibles can only be revalued where there is an active market, which is unlikely to occur. Therefore, revaluation increments and decrements will need to be derecognised and intangible assets recognised at amortised cost.
The adoption of AASB 138 will also result in certain reclassifications from property, plant and equipment to intangible assets (eg computer software and easements).
2. AASB 119 *Employee Benefits* requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. Where the superannuation obligation is not assumed by the Crown, this will increase the defined benefit superannuation liability (or decrease the asset for those agencies in an overfunded position) and change the quantum of the superannuation expense.
3. AASB 119 *Employee Benefits* requires present value measurement for all long-term employee benefits. Current AGAAP provides that wages, salaries, annual leave and sick leave are measured at nominal value in all circumstances. The Commission has long-term annual leave benefits and accordingly will measure these benefits at present value, rather than nominal value, thereby decreasing the employee benefits liability and changing the quantum of the annual leave expense.
4. AASB 116 requires the cost and fair value of property, plant and equipment to be increased to include the estimated restoration costs where restoration provisions are recognised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. These restoration costs must be depreciated and the unwinding of the restoration provision must be recognised as a finance expense. This treatment is not required under current AGAAP.

Notes to and forming part of the Financial Report for the Year Ended 30 June 2005

(b) Financial Instruments

In accordance with NSW Treasury's indicative mandates, the Commission will apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* not to apply the requirements of AASB 139 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. These Standards will apply from 1 July 2005. None of the information provided above includes any impacts for financial instruments. However, when these Standards are applied, they are likely to impact on retained earnings (on first adoption) and the amount and volatility of profit/loss. Further, the impact of these Standards will in part depend on whether the fair value option can or will be mandated consistent with Government Finance Statistics.

24. After balance date events

No events have occurred subsequent to balance date, which will materially affect the financial statements

END OF AUDITED FINANCIAL REPORT

Other information

1. Payment Performance

(a) Payments to Creditors

The Commission processed 93.84% of invoices received within 30 days during 2004/05 compared to 92.93% in 2003/04.

Period	2005		2004	
	Invoices	%	Invoices	%
Within 30 days	73,314	93.84	74,276	92.93
Over 30 days	4,816	6.16	5,651	7.07
Total	78,130	100.00	79,927	100.00

Creditors aged analysis at the end of each quarter is as follows:

Quarter	Current (ie within due date) \$'000	Less than 30 days overdue \$'000	Between 30 and 60 days overdue \$'000	Between 60 and 90 days overdue \$'000	More than 90 days overdue \$'000
September	2,803	209	61	37	370
December	1,582	123	28	33	327
March	1,545	75	70	49	382
June	2,321	65	230	19	244

Accounts paid within 30 days by quarter is as follows:

Quarter	Target %	Achieved %	Paid within 30 days	Total paid \$'000
September	100.0	96.02	20,052	20,884
December	100.0	92.27	23,848	25,845
March	100.0	90.58	17,216	19,006
June	100.0	92.25	25,201	27,260

(b) Ageing of Unpaid Creditors (Private Practitioners)

Legal creditors at 30 June 2005 and 2004 were aged as follows:

0 – 60 days		61 – 90 days		91 – 120 days		Over 120 days		Total	
2004/05 \$'000	2003/04 \$'000	2004/05 \$'000	2003/04 \$'000	2004/05 \$'000	2003/04 \$'000	2004/05 \$'000	2003/04 \$'000	2004/05 \$'000	2003/04 \$'000
2,378	2,337	230	34	18	36	228	399	2,854	2,806
83.3%	83.3%	8.1%	1.2%	0.6%	1.3%	8.0%	14.2%	100%	100%

The above table indicates 83.3% (2003/04 83.3%) of invoices on hand are aged under 60 days of invoice date.

Due to the complexity of some matters, payment of private practitioner accounts may be deferred for a number of reasons, including:

1. The account is not sufficiently detailed and further information has to be obtained from the private practitioner.
2. There is a dispute over whether the work billed for was actually authorised under the terms of the grant of aid.
3. The account has been prepared using an inappropriate scale of fees and has to be amended by the Commission.
4. The private practitioner has rendered an account before a court judgement has been handed down, and assessment of the account has been deferred until judgement, in order to ensure the application of the appropriate scale of fees.
5. The private practitioner has not responded to an inquiry initiated by the Commission as a result of the proceedings, which may finalise in a Section 46 cost recovery.
6. Party/party costs in favour of the legally assisted person have yet to be recovered.

In these circumstances, a large proportion of the "overdue" accounts are not in fact overdue, but deferred. This is especially so in the civil law practice.

Other information

2. Annual Reporting Legislation Requirements

The following information, not disclosed elsewhere in these accounts and reports, is required to be disclosed under annual reporting legislation.

The Legal Aid Commission Act 1979 prescribes the method by which the Commission is to administer its finances. The Act provides for the establishment of a Legal Aid Fund for legal and administrative payments, and the maintenance of a separate account for monies received for and on behalf of legally assisted persons represented by private practitioners and those represented by Commission solicitors.

Funding

A four and a half year agreement between the Commission and the Commonwealth for the provision of legal aid in Commonwealth matters commenced in 2004-05. The agreement provides for a base funding amount which is indexed annually in accordance with the indexation figures used by the Australian government in the annual budget process.

Funding provided under the agreement (where known), is as follows:

	Year	\$'000
	2004/05	44,084
	2005/06	45,054
	2006/07	
	2007/08	
	Total	89,138

Refer to Note 3(a) in the Financial Report

The State Government provides annual funding for State based matters from the Consolidated Fund and for capital projects including the progressive upgrade of the Commissions information systems.

An annual contribution is also received from the Public Purpose Fund for State based matters. Refer to Note 3(c).

Certain clients utilising legal aid contribute to the cost of their representation. Refer Note 3(a).

Audit Remuneration

Audit fees comprise

	2005 \$'000	2004 \$'000
Deloitte Touche Tohmatsu	61	44
Audit Office of NSW	130	92
Thomas Davis & Co	2	2
Internal Audit Bureau of NSW	2	0
Total	195	138

Refer to Note 2(b) in the Financial Report

Consultants

Engagements equal to or more than \$30,000

Consultant	\$	Purpose
CFW Spice Pty Ltd	132,835	Review of Community Legal Centre Funding
Hinds Workforce Research	71,722	Staff Survey 2005
KPMG	39,907	Eligibility to claim Input Tax Credits under GST legislation
Total	244,464	

Engagements equal to less than \$30,000

Total Number	12	50,412
Total Consultants		294,876

Refer to Note 2(b) in the Financial Report

Other information

Charitable and Deductible Gift Recipient Institution

The Commission is a Charitable Institution and a Deductible Gift Recipient institution under *The New Tax System*. Gifts to the Commission of monies or property with a value of \$2, or more, may be claimed by the donor as a tax deduction.

Unclaimed Monies

Pursuant to Section 14 of the *Public Finance and Audit Act 1983*, all unclaimed monies are forwarded to the Treasury for credit to the Consolidated Fund and are available for refund from that account. No unclaimed amounts have been held in the accounts of the Legal Aid Commission.

Risk Management

The Commission maintains insurance policies for motor vehicles, workers compensation, miscellaneous, property and public liability with the NSW Treasury Managed Fund.

The 2004/05 premiums for workers compensation insurance decreased by 19.0% to \$267,310 (2003/04 \$330,070). The motor vehicle insurance premium also decreased, by 6.87% to \$28,440 (2003/04 \$30,540). The premiums were based on a mixture of claims experience benchmarks for similar organisations and a premium incentive system.

Worker's Compensation

The cost incurred to 30 June 2005 of new claims reported in 2004/05 was \$123,021 compared to \$34,138 in 2003/04, an increase of \$88,883. The number of accepted claims increased from 18 in 2003/04 to 32 in 2004/05.

A single claim involving a fall/slip attributed to 43.05 per cent of the increase. There were 17 Fall/Slip and Body Stress claims amounting to \$62,907 (or 70.77 per cent of all claim costs), compared to 9 claims in 2003/04 totalling \$9,987.

Included in the total of new claims above are 5 Motor Vehicle injury claims totalling \$19,325. Motor vehicle injury claims represent 18.15 per cent of total claims paid, and 24.08 per cent of the increase in total claims costs for 2004/05 over 2003/04.

The number of full-time equivalent (FTE) staff (on average) for this financial year was 676, an increase of 12 from 664 in 2003/04. This equates to an average claim cost of \$181.98 per staff member compared to \$51.41 per staff member in 2003/04.

Motor Vehicle Claims

The number of claims was 7 in 2004/05 (12 in 2003/04) which incurred a cost of \$39,426.72 (\$41,212 in 2003/04). The number of vehicles in the Commission fleet increased by 5 to 48 in 2004/05 (an increase of 2 to 43 in 2003/04), giving an average claim cost per vehicle of \$821 (\$958 in 2003/04).

Investment Performance

The Commission is authorised under section 65 of *The Legal Aid Commission Act, 1979* to invest funds that are not immediately required. The avenues of investment are restricted to any securities approved by the Treasurer on the recommendation of the Minister.

During 2004/05 the Commission invested its available funds in the Treasury Corporation's 11am call account. The average yield for this account was 5.28% (2003/04 : 5.03%). Since November 2000, the Commission invested available funds in 30 days Fixed Term deposits with the Treasury Corporation. The average yield from this deposit was 5.47% (2003/04 : 5.15%). The Commission provides for its daily expenditure needs via an on call account which is domiciled with the Commonwealth Bank of Australia. The average yield obtained from this account was 5.0% (2003/04 : 4.56%). Income of \$2.434m was derived from the investment of Commission funds during 2004/05 compared to \$2.195m in 2003/04. The variation is due to higher average cash balances held during the year.

2005/06 Budget Estimates

	\$'000
Total Income	158,514
Total Expenditure	157,291
Operating Surplus	1,223

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Legal Aid HotLine

1800 10 18 10

If there is no office near you, call LawAccess NSW on 1300 888 529 for information, referral and advice.

 People who are hearing/ speech impaired can communicate with us through **TTY 9219 5126** or by calling the National Relay Service (NRS) on 133 677.

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