



Forensic Review

MELS Funding - Marrickville Legal Centre

LEGAL AID NSW

PRIVATE AND CONFIDENTIAL

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The following terms are used in this report:

Term	Explanation
Agreement	The Human Services Agreement between Legal Aid NSW and the Marrickville Legal Centre
CLASS	Community Legal Assistance Services System
CLC	Community Legal Centres
CLCP	Community Legal Centres Program
CLSP	Community Legal Services Program
ICLC	Inner City Legal Centre
KLC	Kingsford Legal Centre
Legal Centres	Inner City Legal Centre, Kingsford Legal Centre, Marrickville Legal Centre & Redfern Legal Centre.
MELS	Migrant Employment Legal Services
MELS Funding	NSW Pool 2 Funding distributed as per the Agreement
MLC	Marrickville Legal Centre
MOU	Memorandum of Understanding
Review Period	1 July 2020 to 30 June 2021
RLC	Redfern Legal Centre

The following appendices have been referenced in this report.

Appendix	Description
A	Memorandum of Understanding dated 1 July 2019
B	Letter from Legal Aid NSW to MLC dated 8 July 2020 (Interim Agreement)
C	Letter from Legal Aid NSW to MLC dated 13 October 2020
D	Agreement for Funding of Services - Schedule effective 1 December 2020
E	Agreement for Funding of Services – Standard Terms 16 October 2019
F	Approved MELS Annual Budget 2020 – 2021 (submitted by ICLC as lead agency)
G	Unapproved MELS budget 2020 – 2021 (submitted by MLC as service provider)
H	MLC PL - 01072020 - 30062021 (run date - 27072021)
I	Quarterly Profit and Loss Reports for MLC as Lead Agency
J	MLC MELS As PGM Lead - PL - 01072020 - 30062021 (run date - 27072021)
K	Quarterly Profit and Loss Reports for MLC as Service Provider
L	MLC MELS PL - 01072020 - 30062021 (run date - 27072021)
M	Explanation from MLC provided 9 August 2021
N	Letter from MLC dated 29 July 2021
O	Summary of Indirect Costs
P	MELS Services 2020-21 (Total + MELS Staff)
Q	Verification of Financial Information MLC provided to Legal Aid NSW

1. Executive Summary

1.1. Introduction

Legal Aid NSW administers funding on behalf of the Commonwealth Government, NSW Government and the Public Purpose Fund for the CLCP in NSW.

In October 2020, Legal Aid NSW approved a change in the lead agency for receiving and managing funding for MELS from ICLC to MLC. From 1 October 2020, MLC assumed the responsibility for meeting approved service deliverables for MELS, and for submitting MELS reports to Legal Aid NSW.

Legal Aid NSW administered funding to MLC through the Agreement. MLC was legally obligated to use the funding only to provide services prescribed in the Agreement and in accordance with the budget in the Agreement.

Legal Aid NSW exercised its rights in the Agreement to conduct a review due to concerns regarding financial management within MELS and within MLC more broadly.

Legal Aid NSW engaged KPMG to conduct the review on its behalf. The purpose of this report is to provide the findings of the Forensic Review of MLC and its financial management of the MELS program.

The objectives of the review were to:

- Quantify MELS funding received, used and distributed by MLC;
- Verify that the financial information MLC provided to Legal Aid NSW was reliable;
- Verify that the financial management of MELS funding by MLC was compliant with the terms of the Agreement; and
- Identify whether MLC breached the Agreement.

The scope of the Forensic Review is as follows:

- a) Quantify the extent of the following relating to MELS Funding:
 - Quarterly payments Marrickville Legal Centre received from Legal Aid NSW;
 - MELS Funding retained by Marrickville Legal Centre;
 - MELS Funding distributed by the Marrickville Legal Centre to three other community centres;
 - The unallocated MELS funds in each quarter of the financial year; and
 - The quarterly profit or loss for Marrickville Legal Centre's MELS Funding.
- b) Verify the accuracy of the financial and management information provided by the Marrickville Legal Centre having regard to:

- The books and records maintained by the Marrickville Legal Centre (e.g. financial statements and general ledger accounting records).
 - Detailed testing of expense transactions (on a sample basis). In particular the testing of employee and other expenses allocated as costs to provide MELS.
- c) Assess the extent to which CLCP funding, or any funds from other funding bodies, have been spent delivering MELS services and the extent to which MELS funds have been spent on services unrelated to MELS.
- d) On the basis of the findings of the forensic review procedures, an assessment as to whether there are potential breaches by Marrickville Legal Centre of the terms of the Agreement.

1.2. Financial summary of MELS for MLC

A summary of the funding received, used and distributed by MLC in its role as lead agency of the MELS program in the period 1 October 2020 to 30 June 2021 follows.

Description	(\$)
MELS funding received from all sources	277,371
Distributions and expenditure	
MELS funding distributed to legal centres	148,856
MELS funding allocated to MLC's MELS program	85,129
MELS funding spent as lead agency	520
Total distributions and expenditure	234,505
MELS excess funding (excl. GST)	42,866
GST on excess funds	4,287
Total MELS excess funding (incl. GST)	47,153

Source: MLC General Ledger Transaction Schedules from Xero

A quarterly summary of the funding, used and distributed follows in the period 1 October 2020 to 30 June 2021 follows.

Description	30-Sep-20 (\$)	31-Dec-20 (\$)	31-Mar-21 (\$)	30-Jun-21 (\$)	Total (\$)
Grant Income Received	-	143,981	133,391	-	277,372
MELS Expenditure					
Contributions to Legal Centres	-	126,720	107,265	-	233,985
Other Expenditure	-	431	24	65	520
Total Expenditure	-	127,151	107,289	65	234,505
Total surplus/deficit	-	16,830	26,102	(65)	42,867

In summary, MLC received MELS funding of \$277,371 over the Review Period in its role as lead agency. It distributed \$148,856 to other legal centres, allocated \$85,129 to itself (MLC) to use on its MELS program and \$520 was used to cover minor expenditure as lead agency.

MLC held excess MELS funds of \$47,153 in its role as lead agency as at 30 June 2021. These are funds which have been received from Legal Aid NSW but not spent by MLC as at 30 June 2021. Whilst an accounting entry has been recorded on 30 June 2021 for the transfer of these funds to Legal Aid NSW, KPMG has been instructed by Legal Aid NSW that the funds have not been returned as at the date of this report.

A summary of the funds used by MLC in its role as MELS service provider follows. It includes \$85,129 which it allocated to itself after it took over as lead agency in October 2020 and \$75,474 which it received from other sources including the previous lead agency, ICLC, and Legal Aid NSW.

Description	(\$)
MELS funding received	160,603
MELS Expenditure	
Employee Costs - Direct	160,449
Employee Costs - Indirect	16,278
Indirect Costs - Office Level	3,583
Indirect Costs - Organisational Level	13,483
Total Expenditure	193,793
Total surplus/deficit for the year	(33,190)

Source: Appendix L MLC MELS PL - 01072020 - 30062021 (run date - 27072021)

MLC received MELS funding of \$160,603 in its role as service provider, against which it has allocated costs of \$193,793, leaving a deficit for the Review Period of \$33,190.

We have not investigated the source of the funds that MLC has used to cover the deficit.

1.3. Summary of findings

A summary of the key review findings in relation to MLC's obligations under the Agreement follows:

- The financial obligations for MLC as lead agency or service provider under the Agreement are unclear as:
 - The Agreement provides details for aggregate MELS funding rather than for each of the legal service providers.
 - The annual budget for MELS required under the Agreement was submitted by ICLC, rather than MLC, as it was the lead agency at the time.
 - It was understood by Legal Aid NSW that the annual budget submitted by ICLC was prepared on the basis of the MOU between the legal centres, however, the MOU is not a formal agreement and Legal Aid NSW is not a party to it.
 - The budget provided by MLC as a service provider around August 2020 was not approved by Legal Aid NSW.
 - The Agreement allows the allocation of overhead costs to MELS through the budget process, however there is no guidance to the calculation of overhead costs of the legal centres and the extent to which they can reasonably be allocated to the MELS program.
- KPMG have not identified areas of non-compliance by MLC of its obligations under the Agreement.

A summary of the key findings in relation to the reliability of MLC's financial records as they relate to MELS follows.

- MLC uses Xero which is an established accounting and bookkeeping program used widely by small to medium businesses. The program allows for the appropriate maintenance of books and records. The information provided to KPMG included general ledger transaction schedules, trial balances and draft financial statements.
- The transaction level accounting information provided by MLC could be appropriately checked to source records such as invoices and bank statements.
- The MELS funding received and recorded in MLC's accounts is consistent with MLC's bank records.
- The distribution of funds recorded by MLC in its accounts as lead agency are consistent with MLC's bank records.
- In summary, KPMG's sample testing of the accounting transactions relating to MELS in MLC's accounts identified that the sample transactions were a faithful and accurate recording of the underlying transactions.

A summary of the key findings in relation to MELS expenditure and compliance with the Agreement follows.

- MLC's employee related costs of \$148,983¹ for salaries, \$14,188 for superannuation and \$13,556² for on costs are less than the approved allowance for the MELS program represented by the annual budget.
- MLC's allocation of \$17,066³ for indirect costs was below the approved spending for operating costs in the budget of \$21,481. MLC's approach to allocate indirect costs across its programs based on the proportion of direct labour costs is not considered unreasonable.
- MLC funded the costs for an Employment Lawyer and a Community Worker through the MELS program. Detailed timesheet information was not available but a CLASS Report is available which provides the details of the MELS matters the Employment Lawyer and Community Worker worked on.
- MELS matters were also worked on by staff other than the MELS funded staff. MLC has advised that these staff were either volunteers or funded by the *Federal Government's Boosting Cash Flow for Employers* measure.
- In summary, there were no issues of non-compliance identified by KPMG in relation to MLC's expense items allocated to the MELS program. However, we note that as a service provider, MLC's expenditure of \$193,793 exceeded its funding of \$160,603, leaving a deficit of \$33,190.

A summary of the key findings in relation to the verification of the financial and management information provided by the MLC to Legal Aid NSW follows.

- The review identified inconsistencies with the roles information in the Joint Pool 2 Project summary provided by MLC to Legal Aid NSW on 1 April 2021, in particular:
 - The role of Program Director filled by ██████████ listed in the summary was not evident in the final balance for salaries and wages, nor was it included in the employee allocations for the indirect cost allocations for MELS. We note that some of the wages of ██████████ were allocated to MELS however these were reversed on 1 March 2021 and 30 April 2021.
 - The role of Community Engagement Officer was not included in the wages and salaries recorded to MELS.
- In an email from MLC to Legal Aid NSW dated 31 March 2021, MLC noted that an allocation of the Program Director's salary would be funded by the MELS program. Since the email from MLC to Legal Aid NSW dated 31 March 2021, it appears MLC's position on the allocation of the Program Director's salary changed as an initial allocation of the salary was reversed out of the accounts resulting in no funding by MELS of the Program Director's salary.
- In an email from MLC to CLC Program (Legal Aid NSW) sent on 9 April 2021, the following information was not consistent with the financial information provided by MLC:

¹ Direct Salaries \$132,705 + Indirect Salaries of \$16,278 = \$148,983.

² Provision for Redundancy \$4,983, Provision for Leave Loading \$4,739 + Provision for Long Service Leave \$3,104 + Provision for Annual Leave \$730 = \$13,556.

³ Indirect Costs – Office level \$3,583 + Indirect Costs – Organisational level \$13,483 = \$17,066.

- The email stated the amount of MELS funding allocated to MLC for 2020-21 financial year is \$226,577.09. According to the information provided by MLC, MLC received \$127,255 as of 9 April 2021.
- The email stated the amount of MELS funding MLC received in January 2021 (Q3) was \$48,634.34. The financial information provided by MLC provides the Q3 contribution was \$30,582.
- The email referred to the role of Program Director being included in expenses reported. The only roles funded by MELS were the Employment Lawyer, Community Worker and Employment Solicitor.
- In a report dated 21 May 2021 from MLC to Legal Aid NSW presenting the financial activities for the first 3 quarters of FY2020-21 (i.e. 1 July 2020 to 31 March 2021), the following information was not consistent with the financial information provided by MLC:
 - The salary, superannuation and on costs figures reported for the role of Program Director were not consistent with the financial information provided to KPMG by MLC. The balances for these expense types recorded to the MELS cost centre at the end of the financial year do not include this entry for the role of Program Director.
 - The overheads reported of nil in the report are not consistent with the overheads recorded in MLC's financial statements in the MELS cost centre for the same period. For the period year to date 31 March 2021, MLC had incurred overheads expenditure of \$24,605.

2. Introduction

2.1. Background

Legal Aid NSW administers funding on behalf of the Commonwealth Government, NSW Government and the Public Purpose Fund for the CLCP in NSW.

In October 2020, Legal Aid NSW approved a change in the lead agency for receiving and managing funding for MELS from ICLC to MLC. From 1 October 2020, MLC assumed the responsibility for meeting approved service deliverables for MELS, and for submitting MELS reports to Legal Aid NSW.

Legal Aid NSW administered funding to MLC through the Agreement. MLC was legally obligated to use the funding only to provide services prescribed in the Agreement and in accordance with the budget in the Agreement.

Legal Aid NSW exercised its rights in the Agreement to conduct a review due to concerns regarding financial management within MELS and within MLC more broadly.

Legal Aid NSW engaged KPMG to conduct the review on its behalf. The purpose of this report is to provide the findings of the Forensic Review of MLC and its financial management of the MELS program.

2.2. Work performed

KPMG has performed the following:

- Reviewed the agreements and various addendums between MLC and Legal Aid NSW to determine the obligations of MLC regarding MELS.
- Attended meetings and discussions with MLC's Principal Solicitor [REDACTED] and Finance Manager [REDACTED], to obtain an understanding of the financial management and accounting procedures of MLC.
- Collected and reviewed the financial information of MLC including financial reports for MELS, an extract of the General Ledger and compared to bank statements, invoices and other supporting reports.
- Assessed the appropriateness of cost allocations made to MELS.
- Calculated the surplus funds held by MLC.
- Verified the accuracy of information provided to Legal Aid NSW by MLC.

2.3. Background to MELS funding

MELS was established in 2019 by the ICLC, KLC, MLC and RLC to address the employment exploitation of migrant workers. The aim of the service was to provide free and confidential legal advice and representation to migrants and temporary visa holders through the Legal Centres. The program was funded by Legal Aid NSW on behalf of the NSW Government, as part of existing funding agreements it had with the Legal Centres.

In July 2019, the Legal Centres entered into the MOU to guide the relationship between the centres and oversee the operation of MELS⁴. The MOU was valid for one year and it was agreed that it would be formally reviewed on 1 July 2020, at which time the Legal Centres would re-sign the MOU for another 12 months, discontinue or develop a new MOU. Legal Aid NSW was not a party to the MOU.

The MOU outlined that one of the Legal Centres would act as the lead agency, responsible for receiving the funds from Legal Aid NSW on a quarterly basis and distribute the funds to each Legal Centre. At the time the MOU was signed, it was agreed by the Legal Centres that ICLC would act as the lead agency. In addition, the MOU established a steering committee consisting of one representative from each of the Legal Centre, which was responsible for overseeing the operation of the program.

On 30 June 2020, the existing funding agreement MLC had with Legal Aid NSW expired and subsequently on 8 July 2020, Legal Aid NSW notified MLC of its intent to enter into the Agreement to be effective in July 2020⁵. This letter has been referred to as the Interim Agreement. In anticipation of a new agreement, KPMG understand the Legal Centres formally renewed the MOU without changes for at least 12 months.

In October 2020, the steering committee decided that for operational reasons the lead agency should be transferred from ICLC to MLC, which was a larger centre and better resourced to perform the role.

On 13 October 2020, Legal Aid NSW wrote to MLC accepting the change in lead agency and advising of its intent to update the Agreement with MLC to reflect MLC's new responsibilities⁶.

On 1 December 2020, the Agreement between Legal Aid NSW and MLC became effective⁷. The Agreement included the Agreement for Funding of Services – Standard Terms⁸, also referred to as the Human Services Agreement.

Around December 2020, Legal Aid NSW was notified by ICLC, KLC and RLC of a dispute between the Legal Centres regarding MLC's management of the MELS program.

KPMG understand that on 17 April 2021, the MOU was terminated by ICLC, KLC & RLC following an ongoing dispute with MLC and subsequently on 3 May 2021, Legal Aid NSW suspended payments to MLC as lead agency.

⁴ Appendix A: Memorandum of Understanding dated 1 July 2019

⁵ Appendix B: Letter from Legal Aid NSW to MLC dated 8 July 2020 (referred to as the interim agreement)

⁶ Appendix C: Letter from Legal Aid NSW to MLC dated 13 October 2020

⁷ Appendix D: Agreement for Funding of Services - Schedule effective 1 December 2020

⁸ Appendix E: Agreement for Funding of Services – Standard Terms 16 October 2019

2.4. Obligations of MLC under the Agreement

The obligations of MLC under the Agreement as recipient of MELS funds, in its roles as both lead agency and service provider follow.

Ref.	Obligation Explanation
5.1, 9.3	<p>MLC agreed to provide the Services:</p> <ul style="list-style-type: none"> • in accordance with any Budget for the Services; and • in accordance with all other requirements of the Agreement (amongst other general requirements). <p>The Services were defined as the type and number of Legal Assistance Services as set by the NSW Attorney General.</p> <p>The Budget was defined as the Annual Budget to be lodged by 31 July, detailing the income and projected expenditure of funds for the program for each financial year. The Annual Budget for MELS for the Review Period was submitted by ICLC (as lead agency at the time) in or around August 2020⁹.</p> <p>KPMG have been advised by Legal Aid NSW that this budget was approved in accordance with section 19.1 of the Agreement and was understood to have been prepared in line with the terms of the MOU between the Legal Centres.</p> <p>Additionally, KPMG have been provided with a budget document submitted by MLC in or around August 2020 in its role as MELS service provider¹⁰. KPMG was advised by Legal Aid NSW that this budget was not approved by Legal Aid NSW in accordance with section 19.1.</p>
9.1	<p>MLC agreed to immediately deposit and keep all funds that Legal Aid NSW paid in an account with an Australian branch of an established bank, building society or credit union that was solely controlled by MLC and which allowed for the funds to be separately identified.</p>
19.2	<p>MLC agreed to keep full and accurate records in relation to the Agreement in such a way so as to allow the records to be easily accessed, retrieved and used by Legal Aid NSW.</p> <p>In addition, MLC agreed to keep sufficient records so that:</p> <ul style="list-style-type: none"> • all accounting and financial transactions, including receipts, proof of purchases, invoices and payment information relating to the funds are clearly separate and identified from MLC's other financial and operational accounts and records; • if required by Legal Aid NSW or law, financial statements could be prepared in accordance with accounting standards;

⁹ Appendix F: Approved MELS Annual Budget 2020 – 2021 (submitted by ICLC as lead agency)

¹⁰ Appendix G: Unapproved MELS budget 2020 – 2021 (submitted by MLC as service provider)

Ref.	Obligation Explanation
	<ul style="list-style-type: none"> if required by Legal Aid NSW or law, accounts and records could be audited in accordance with auditing standards; and proper operational records were able to verify MLC’s performance of MLC’s obligations under the Agreement.

2.5. Overview of MLC’s accounting system

MLC uses Xero which is an established accounting and bookkeeping program used widely by small to medium businesses. The program allows for the appropriate maintenance of books and records. The information provided to KPMG included general ledger transaction schedules, trial balances and draft financial statements.

MLC used cost centres within Xero to separate its financial records and transactions between the different programs it operated. Examples of the different programs which have been allocated separate cost centres include programs with specific government grants, funding agreements for services such as MELS and pro bono work.

For the 2020/2021 financial year there were 25 program cost centres, two of which were setup for Legal Aid NSW funded MELS programs:

1. Migrant Employment - Lead agency: This cost centre was used to record the income and expenditure incurred by MLC in its role as lead agency of the MELS program. Transactions such as the quarterly instalments received from Legal Aid NSW and the disbursements to the Legal Centres were recorded against this cost centre.
2. Migrant Employment: This cost centre was used to record the income and expenditure incurred by MLC in its role as a provider of MELS services. Transactions such as the daily costs of providing legal advice to clients and office overheads were recorded against this cost centre.

There was a third cost centre related to a MELS program called Train the Trainer. This program was funded by the City of Sydney, rather than Legal Aid NSW. As the funding came from a different source, the income and expenditure for this program has been separated from the other MELS programs by MLC.

MLC had the ability to prepare profit and loss statements for each of the cost centres, meaning it could prepare separate reports for its role as lead agency and MELS Service provider, in accordance with its obligations under section 9.1 of the Agreement.

A summary of the financial results for the 2020/2021 financial year are presented in Section 3.

3. Summary of Financial Information

3.1. MELS budgets

Overall MELS budget for the Legal Centres

A summary of the approved overall MELS program Annual Budget for 2020/2021 submitted by ICLC (as lead agency) to Legal Aid NSW in or around August 2020 follows.

Overall MELS Budget		(\$)
Income		
Surplus from the previous year		8,289
CLSP Income		533,563
Total Income		541,852
Expenses		
Employee costs		520,371
Office Overheads		14,360
Other Expenses		6,041
Communications		1,080
Rent		-
Total Expense		541,852

Source: Appendix F Approved MELS Annual Budget 2020 – 2021 (submitted by ICLC as lead agency)

Legal Aid NSW approved spending of \$541,852 for the entire MELS program during the Review Period. The approved budget does not specify parameters for each legal centre.

MLC MELS budget

A summary of the MLC MELS Budget for the 2020/2021 submitted to Legal Aid NSW in or around August 2020 follows.

MLC MELS Budget 2020/2021	(\$)
Income	
Commonwealth Funding	168,505
Service Generated Income	2,890
Total Income	171,395
Expenses	
Employee Costs	182,027
Other CLSP Expenses	8,034
Office Overheads	6,382
Communications	3,545
Staff Training	2,999
Depreciation	1,328
Rent	-
Total Expense	204,316
Surplus/Deficit for the Next Year	(32,920)

Source: Appendix G Unapproved MELS budget 2020 – 2021 (submitted by MLC as service provider)

MLC projected a deficit of \$32,920 to provide MELS services for the 2020/2021 financial year. Legal Aid NSW has instructed KPMG that the deficit was not approved.

3.2. Summary of MLC financials

A summary of MLC's financial performance for the 2020/2021 financial year for MLC (i.e. including all programs/cost centres) follows.

MLC Profit & Loss	
1 July 2020 to 30 June 2021	
	(\$)
Income	
Other income	3,034,595
Grant - Migrant Employment (Lead)	277,372
Grant – Migrant Employment	160,603
Grant – MELS City of Sydney	44,908
Total Income	3,517,478
Expenditure	
Employee Costs	2,927,125
Direct Costs	404,911
Indirect Costs (Organisational)	216,798
Indirect Costs (Office)	98,406
Capital Costs	48,979
Total Expenditure	3,696,223
Net Profit/Loss	(178,745)

Source: Appendix H: MLC PL - 01072020 - 30062021 (run date - 27072021)

During the 2020/2021 financial year, MLC received MELS funding of \$277,372 in its capacity as lead agency and \$160,603 as MELS service provider.

3.3. Summary of MELS financial information for MLC as lead agency

The quarterly MELS income and expenditure for MLC incurred in its role as lead agency follows.

Description	30-Sep-20 (\$)	31-Dec-20 (\$)	31-Mar-21 (\$)	30-Jun-21 (\$)	Total (\$)
Grant Income Received	-	143,981	133,391	-	277,372
MELS Expenditure					
Contributions to Legal Centres	-	126,720	107,265	-	233,985
Other Expenditure	-	431	24	65	520
Total Expenditure	-	127,151	107,289	65	234,505
Total surplus/deficit	-	16,830	26,102	(65)	42,867

Source: Appendix I Quarterly Profit and Loss Reports for MLC as lead agency

There is currently a surplus of \$42,867 (\$47,153 including GST) being unspent MELS grants held by MLC as lead agency at 30 June 2021.

3.4. MELS funding received by MLC as lead agency

MLC replaced ICLC as lead agency of the MELS program effective 1 October 2020. As a result, MLC became responsible for receiving the funds from Legal Aid NSW on a quarterly basis and the distribution of funds to each Legal Centre. A summary of the funds received by MLC as lead agency follows.

Date	Payer	Description	(\$)
9/11/2020	ICLC	MELS surplus funds for July 19 - June 20	8,289
9/11/2020	ICLC	MELS surplus funds for July 20 - September 21	2,301
21/10/2020	Legal Aid NSW	MELS quarterly instalment for October 20 - December 20	133,391
19/01/2021	Legal Aid NSW	MELS quarterly instalment for January 21 - March 21	133,391
Total			277,372

Source: MLC General Ledger Transaction Schedules from Xero

MLC received \$277,372 as MELS lead agency which was made up of surplus MELS funds received from ICLC and two quarterly instalments from Legal Aid NSW for the period October 2020 to March 2021. The final instalment for April to June 2020 was not received by MLC as Legal Aid NSW had suspended lead agency payments.

3.5. MELS funding used and distributed by MLC as lead agency

MELS funding received by MLC as lead agency has either been:

- a) Distributed by MLC to other legal centres;
- b) Retained by MLC to provide MELS services and act as lead agency;
- c) Used by MLC for general MELS expenditure; or
- d) Unallocated and held for reimbursement to Legal Aid NSW.

The following table shows how MLC distributed the funding provided by Legal Aid NSW since 1 October 2020.

Description	(\$)
Distributed to other legal centres	148,856
Retained by MLC to provide MELS services and act as lead agency	85,649
Total	234,505

Source: Appendix J MLC MELS AS PGM LEAD - PL - 01072020 - 30062021 (run date - 27072021)

Of the \$277,372 MLC received to act as lead agency, \$148,856 was distributed to other legal centres and \$85,649 was retained by MLC which it allocated to its own MELS program or used for general spending as lead agency.

MELS funding distributed to Legal Centres

A summary of the funds MLC distributed to ICLC, KLC and RLC in its role as lead agency follows.

Legal Centre	(\$)
Inner City Legal Centre	49,619
Kingsford Legal Centre	49,619
Redfern Legal Centre	49,619
Total	148,856

Source: MLC General Ledger Transaction Schedules from Xero

In summary, MELS funding of \$148,856 has been distributed to the other legal centres. KPMG verified the extent of funds transferred to the other Legal Centres by tracing funds through the bank statements to MLC's General Ledger transaction records and by vouching the payment to invoices submitted by each legal centre.

Retained by MLC to provide MELS services and act as lead agency

A summary of the funds retained by MLC to provide MELS services and act as lead agency follows.

MLC Internal Funding Allocations	(\$)
Spend by MLC as lead agency	520
Allocated to MLCs MELS program	85,129
Total	85,649

Source: MLC General Ledger Transaction Schedules from Xero

MLC spent \$520 in its role as lead agency on minor expenses related to advertising & promotion, entertainment costs and staff amenities and allocated \$85,129 to its own MELS program. Details of how the \$85,129 was spent is included below in section 4.

3.6. Summary of MELS financial information for MLC as service provider

The quarterly MELS income and expenditure for MLC incurred in its role as service provider follows.

Description	30-Sep-20 (\$)	31-Dec-20 (\$)	31-Mar-21 (\$)	30-Jun-21 (\$)	Total (\$)
MELS funding received	42,126	54,547	30,582	33,348	160,603
MELS Expenditure					
Employee Costs - Direct	36,308	60,851	34,390	28,818	160,367
Employee Costs - Indirect	4,787	4,979	1,233	5,234	16,233
Indirect Costs - Office Level	457	1,086	840	1,196	3,579
Indirect Costs - Organisational Level	3,450	5,911	1,862	2,342	13,565
Rounding	3	-	3	1	7
Total Expenditure	45,005	72,827	38,328	37,591	193,751
Rounding	1	-	-	1	-
Total surplus/deficit	(2,878)	(18,280)	(7,747)	(4,243)	(33,148)

Source: Appendix K Quarterly Profit and Loss Reports for MLC as service provider

For each quarter, MLC recorded higher expenses than income resulting in a deficit of \$33,148¹¹ as of 30 June 2021. MELS funding received by MLC as service provider

3.7. MELS funding received by MLC as service provider

A summary of the funding received by MLC as service provider follows.

Payer	Description	(\$)
ICLC	Distribution for Q1: June 20 - September 20	42,126
Legal Aid NSW	Internal allocation for Q2: October 20 - December 20	54,547
Legal Aid NSW	Internal allocation for Q3: January 21 - March 21	30,582
Legal Aid NSW	Distribution for Q4: April 21 - June 21	33,348
Total		160,603

Source: MLC General Ledger Transaction Schedules from Xero

In summary, MLC received \$160,603 of funding for its MELS program. KPMG verified the payments against the bank statement and accounting allocations.

¹¹ The quarterly summary of MLC's profit and loss is based on reports provided by MLC on 2 September 2021. There is a minor discrepancy in the surplus recorded in these reports of \$42 when compared to the annual reports initially provided. The cause of this discrepancy is a movement and/or reclassification of expenses of \$42. Due to the immaterial nature of this discrepancy, KPMG has not investigated further.

3.8. MELS funding used by MLC as service provider

A summary of the funds used by MLC in its role as lead agency and MELS service provider follows.

Description	(\$)
MELS funding received	160,603
MELS Expenditure	
Employee Costs - Direct	160,449
Employee Costs - Indirect	16,278
Indirect Costs - Office Level	3,583
Indirect Costs - Organisational Level	13,483
Total Expenditure	193,793
Total surplus/deficit for the year	(33,190)

Source: Appendix L MLC MELS PL - 01072020 - 30062021 (run date - 27072021)

MLC allocated total costs of \$193,793 to its MELS program which was \$33,190 in excess of the MELS funding it received. This excess expenditure has not been paid for using MELS funds and it was likely funded by other MLC income sources. We have not reviewed whether MLC's other sources of income are governed by spending restrictions.

3.9. Excess funding

Excess funding occurred where there was unallocated or unspent funds by MLC during the financial year. A summary of excess funds currently held by MLC for the Review Period follows:

Description	(\$)
MELS funding received from all sources	277,371
Distributions and expenditure	
MELS funding distributed to legal centres	148,856
MELS funding allocated to MLC's MELS program	85,129
MELS funding spent as lead agency	520
Total distributions and expenditure	234,505
MELS excess funding (excl. GST)	42,866
GST on excess funds	4,287
Total MELS excess funding (incl. GST)	47,153

Source: MLC General Ledger Transaction Schedules from Xero

The excess funds held by MLC as lead agency total \$47,153 at 30 June 2021. MLC recorded an entry on 30 June 2021 for transfer of funds to Legal Aid NSW. KPMG understands that these funds have not been paid to Legal Aid NSW at the date of this report.

3.10. Findings

A summary of the findings of the review of financial information and MELS funding follows.

- Legal Aid NSW approved spending of \$541,852 for the entire MELS program during the Review Period. The approved budget does not specific parameters for each legal centre.
- MLC received \$277,372 as MELS lead agency which was made up of surplus MELS funds received from ICLC and two quarterly instalments from Legal Aid NSW for the period October 2020 to March 2021. The final instalment for April to June 2020 was not received by MLC as Legal Aid NSW had suspended lead agency payments.
- There is currently a surplus of \$42,867 (\$47,153 including GST) being unspent MELS grants held by MLC as lead agency at 30 June 2021.
- MLC received MELS funding of \$160,603 as a MELS service provider. KPMG verified the payments against the bank statement and accounting allocations.
- MLC projected a deficit of \$32,920 to provide MELS services for the 2020/2021 financial year on the basis of projected income of \$171,395 and expenditure of \$204,316. We understand that this was not approved by Legal Aid NSW.

4. MELS expenditure

4.1. Introduction

MLC's accounts record total MELS expenditure of \$193,793 in the Review Period. These costs comprise the following:

- Direct costs which were allocated in full to the program to which they relate (e.g. salaries for the MELS staff); and
- Indirect costs which could not be directly attributed to a specific program (e.g. office overheads including audit fees, telephone and IT expenses). Indirect costs were further separated into:
 - Office level expenses which were costs that could be attributed to a specific MLC office. Examples included cleaning, memberships, printing and stationary expenses.
 - Organisational level expenses which were costs attributable to the overall operation of MLC and were not attributable to a specific office. Examples included audit fees, bank charges, insurance and telephone expenses.

Indirect costs were apportioned between MLC's programs based on the number of direct staff working on each program. For example, if MLC had a total of 20 direct staff members and 2 of those staff were allocated to the MELS program, then 10%¹² of the indirect costs would be allocated to the MELS program.

MLC advised KPMG that the Finance Manager reviewed and calculated the staff allocations on a monthly basis to ensure the allocations were appropriately applied across MLC's various programs and were in line with staffing changes.

4.2. Direct costs

Approach

The significant steps for the review procedures for direct costs allocated to MELS follows:

- A review of the profit and loss, trial balance and General Ledger accounts for the MELS cost centre to assess the extent of direct costs.
- A review of a sample of the expense categories.

¹² 2 / 20 = 10%

- Comparison of the direct costs allocated to MELS, to the information provided by MLC in relation to MELS employees.
- A review of the reasonableness of the allocations to MELS.

A summary of direct costs for the Review Period

The direct costs allocated by MLC to MELS for the Review Period follows.

Direct Cost	(\$)
Salaries and Wages – Direct	132,705
Superannuation	14,188
Prov for Redundancy [60623]	4,983
Prov for Leave Loading	4,739
Prov For Long Service Leave [60622]	3,104
Prov for Annual Leave [60620]	730
Total	160,449

Source: Appendix L MLC MELS PL - 01072020 - 30062021 (run date - 27072021)

The direct costs allocated to MELS total \$160,449, comprising salaries, wages, superannuation and provisions for employee entitlements.

A review of the general nature of direct costs

The general nature of direct costs allocated to MELS were costs associated with the employment of MELS staff including salaries, wages, superannuation and provisions for employee entitlements. The direct allocation of employment costs for personnel working on MELS to the MELS program is consistent with the Agreement.

A review of the direct cost transactions for MELS in the Review Period

The approach to the review of the direct costs follows:

- KPMG sampled two direct cost categories being *Salaries and Wages – Direct* and *Provision for Redundancy [60623]* and requested information from MLC to explain what is included in the end of year balances for these accounts.
- MLC Finance Manager provided the calculation of the account balances summarised by employee.
- KPMG reviewed the allocated amounts by employee, compared them against other responses provided by MLC and assessed the reasonableness of the allocation to MELS.

The breakdown of the *Salaries and Wages – Direct* and *Provision for Redundancy [60623]* follows.

Position	Employee Name	Salaries and Wages – Direct	Provision for Redundancy
Employment Lawyer	██████████	70,320	3,044
Community Worker	██████	59,928	1,542
Employment Solicitor	██████████████████	2,456	-
Indirect Employees	██████	-	387
Total		132,705	4,973

Source Appendix M Explanation from MLC provided 9 August 2021.

KPMG make the following observations from these results:

- The role of Employment Lawyer was filled by ██████████ and \$70,320 of his salary was allocated to MELS. While ██████████ was on leave for approximately 7 weeks commencing in May 2021, the position of Employment Lawyer was filled by ██████████. As a result, her salary for this time of \$2,456 was allocated to MELS.
- The role of Community Worker was filled by ██████████ and \$59,928 of her salary was allocated to MELS.
- A redundancy provision of \$3,044 for ██████████ and \$1,542 for ██████████ has been allocated to MELS. In addition, there was a \$387 provision for indirect employees ██████████, ██████████ ██████████ and ██████████. The MELS allocation of indirect salaries and wages for these employees is reported further below. While these provisions were indirect costs rather than direct costs, the allocation to MELS was not unreasonable considering the roles performed by these individuals. Further there was no agreement in place that prescribes the exact positions required to be covered by MELS funding.
- The breakdown of the total redundancy did not equal the figure on the profit and loss and was out by \$10. The process to explain this difference would involve reviewing and recalculating the fortnightly payroll for the entire Review Period. Given the time-consuming nature of this task and its immateriality, KPMG have not reviewed this further.
- There were wages of \$3,572 for ██████████ incurred during the period 15 February 2021 – 2 April 2021 which were initially allocated to MELS but later reversed in two transactions on 1 March 2021 and 30 April 2021. The reversal journal entries explain the reversals were for “ 7 hours per week of ██████████ salary and superannuation...from GLS to MELS as Program Director due to position not being approved by Legal Aid”. These wages did not make up the final balance of employee related costs allocated to MELS by MLC.

MLC provided the following breakdown of MELS funded staff members who worked on MELS matters for the Review Period:

Employee name	Position	Period	Days and hours of work
██████████	Employment Lawyer	1 July 2020 to 3 May 2021	4 days (28 hours) per week
		3 May 2020 to 23 June 2021	3 days (21 hours) per week
██████████	Employment Lawyer	6 May 2021 to 24 June 2021	1 day (7 hours) per week
██████████	Community Liaison Officer	1 July to 13 August 2020	4 days (28 hours) per week
	Program Director	14 August to 5 December 2020	5 days (35 hours) per week
	Community Liaison Officer	6 December 2020 to 31 January 2021	4 days (28 hours) per week
	Community Engagement Coordinator	1 April to 30 June 2021	2 days (14 hours) per week

Source: Appendix: N Letter from MLC dated 29 July 2021

KPMG have been unable to verify the number of hours each individual employee worked on MELS matters due to the lack of detailed timesheet information. We make the observation that the summary provided by MLC is consistent with the MELS allocations for salaries and wages.

In addition, MLC provided a report containing data exported from CLASS that details the name of MLC staff and the MELS matters they worked on. KPMG make the following observations from this information:

- The report included MELS matters worked on by MELS paid staff (██████████, ██████████ and ██████████) as well as other staff including ██████████, ██████████, ██████████ and ██████████. These additional staff members' wages and salaries have not been allocated to MELS. MLC advised that the additional employees were either volunteers, pro bono secondments or funded from the *Federal Government's Boosting Cash Flow for Employers* measure.
- The information provided in the CLASS report is consistent with the financial reports provided by MLC on the basis that it includes the personnel costs for those whom worked on MELS.

As MLC does not maintain detailed time keeping records for the matters its staff have worked on (such as timesheets), KPMG has been unable to verify the allocations in the information provided. KPMG makes the observation that the value of direct salaries and wages allocated to MELS (\$132,705) is not in excess of those in the approved budget (\$454,599) to cover all legal centres.

4.3. Indirect costs

Approach

The significant steps for the review procedures for indirect costs follows:

- A review of the profit and loss, trial balance and General Ledger accounts.
- A review of a sample transactions.
- A review of the overall information provided by MLC in relation to indirect costs.
- A review of the reasonableness of the allocation of indirect costs to MELS.

- A calculation, if applicable, of any adjustment to costs allocated to MELS.

A summary of indirect costs for the Review Period

The Indirect Costs for MELS for the Review Period is set out in Appendix O, a summary of these allocations follow.

Indirect Costs	(\$)
Indirect Costs – Office Level	3,583
Indirect Costs – Organisational level	13,483
Salaries and Wages – Indirect	16,278
Total	33,344

MLC allocated a total of \$33,344 of indirect costs to its MELS program.

KPMG reviewed the process for indirect cost allocation to assess the appropriateness of the allocation of costs to MELS. As reported above, the indirect cost allocations were based on the direct staff allocated to programs across MLC’s business and the Finance Manager performed a monthly review of the calculations to ensure they were updated for staff changes. A summary of the staff allocations for each month follows.

Organisational Allocations	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Employment Solicitor				0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Community Worker				0.80	0.80	0.80	0.80	-	1.00	1.00	-	-
Assistant principal Solicitor				-	-	-	0.05	0.05	0.05	0.05	-	-
Total MELS Staff				1.60	1.60	1.60	1.65	0.85	1.85	1.85	0.80	0.80
Total MLC Staff				22.28	22.28	22.28	23.31	23.18	23.78	23.78	22.97	22.97
MELS %				7.18%	7.18%	7.18%	7.08%	3.67%	7.78%	7.78%	3.48%	3.48%

Source: Appendix P: MELS Services 2020-21 (Total + MELS Staff)

We make the following observations:

- The allocation of indirect costs to MELS is an average of 6.09% of total indirect costs for MLC over the Review Period which ranges from 3.48% to 7.78%.
- For January 2021 – April 2021, the allocation of direct staff is not consistent with the allocation of direct salaries and wages reported in section 4.2. During these months, 5% of the Assistant Principal Solicitors time was included in the staff allocated to MELS. If this position is removed, there is only a minor change to the overall average which is reduced by 0.9% to 6%. The monetary value of this change is not significant and estimated to be approximately \$500.

A review of the general nature of indirect costs

The general nature of indirect costs allocated to MELS included expenses related to the ongoing operation of MLC such office overheads including audit fees, telephone and IT expenses. The allocation of these costs to MELS does not appear to be unreasonable considering that the overheads are used for MLC to deliver MELS. KPMG also noted that the allocation of overhead or indirect costs was not inconsistent with the Agreement or the approved budget.

A review of the indirect cost transactions for MELS in the Review Period

The approach to the review of these transactions follows:

- MLC personnel retrieved the invoices / third party documents for these transactions.
- A check of the transaction details on the invoices / third party documents to the accounts.
- A review of the reasonableness of the allocation of such costs as items of MELS expenditure.

A summary of the review and the significant findings is set out in the following table.

Review process	Significant findings
A check of the transaction details	The transaction details in the accounts agree with the transaction details included on the invoice or third-party documents. No exceptions were noted.
A review of the reasonableness of the allocation of costs as MELS costs	The costs were reasonably allocated as costs of MELS having regard to the following: <ul style="list-style-type: none"> - MLC is a party to the transaction - It was reasonable to classify the nature of the invoices as general or office overheads.

4.4. Findings

Overall, KPMG found that while there were some inconsistencies regarding the allocation of staffing in determining overhead costs which were insignificant, MLC's allocation of expenditure for the Review Period as at 30 June 2021 is not unreasonable. The review of the costs did not identify any areas of non-compliance with the Agreement.

The key findings in relation to the direct costs charged to MELS follows:

- The approved MELS budget provides an allowance of employee related costs of \$454,599 for salaries, \$42,754 for superannuation and \$23,058 for on costs. These figures were for the entire program (i.e. all Legal Centres) and there were no parameters for each legal centre. MLC's employee related costs fall under these allowances and therefore are within the approved spend.
- There were wages of \$3,572 for ██████████ incurred during the period 15 February 2021 – 2 April 2021 which were initially allocated to MELS and later reversed on 1 March 2021 and 30 April 2021. The reversal journal entries explain the reversals were for "7 hours per week of ██████████ salary and superannuation...from GLS to MELS as Program Director due to position not being approved by Legal Aid". As reported above, these wages do not make up the final balance of employee related costs allocated to MELS by MLC.
- The allocation of direct costs to the MELS program appear to be consistent with the Agreement (i.e. no areas of non-compliance identified).

The key findings in relation to the indirect costs charged to MELS follows:

- The total allocation of \$17,066¹³ for indirect costs (excluding indirect wages) was below the approved spending for operating costs in the budget of \$21,481. We note that the approved spend was intended for all Legal Centres and the KPMG review has only considered the costs for MLC.
- The allocation of indirect costs to MELS was an average of 6.09% over the Review Period which ranges from 3.48% - 7.78% of total cost. The approach to allocate these costs based on the proportion of direct labour costs applied to the various programs is not unreasonable.
- The allocation of indirect costs to the MELS program appear to be consistent with the Agreement (i.e. no areas of non-compliance identified).

Other findings from the review of MELS costs follows:

- Staff other than the MELS funded staff are recorded as having worked on MELS matters. MLC advised that these staff were either volunteers or funded by the *Federal Government's Boosting Cash Flow for Employers* measure.
- For January 2021 – April 2021, the allocation of direct staff in the calculation of indirect costs is not consistent with the allocation of direct salaries and wages. During these months, 5% of the Assistant Principal Solicitors time was included in the staff allocated to MELS. This

¹³ Indirect Costs – Office level \$3,583 + Indirect Costs – organisational Level \$13,483 = \$17,066.

causes a minor increase to the average percentage used to allocate indirect costs of 0.9% which is estimated to be approximately \$500.

- As part of the review of MELS expenditure, KPMG verified that MELS funding was deposited into a bank account with the Commonwealth Bank of Australia, satisfying its obligations under section 9.1 of the Agreement. Additionally, the use of cost centre accounting allows for the funds to be separately identified from other funding sources.

5. Information provided to Legal Aid NSW

5.1. Introduction

We were instructed to verify the accuracy of the financial and management information provided by the MLC to Legal Aid NSW.

A summary of the information subject to our review procedures follows.

1. MLC’s MELS budget submitted to Legal Aid NSW in or around August 2020, containing the projected expenditure for MLC as service provider. This budget was not approved by Legal Aid NSW.
2. The Joint Pool 2 Project summary provided to Legal Aid NSW on 1 April 2021.

5.2. Findings

The findings from the comparison of the information provided to Legal Aid NSW to the financial and management information follows.

Information issued by MLC	Significant findings
<p>MLC’s Budget submitted to Legal Aid NSW in or around August 2020.</p>	<p>Legal Aid NSW advised that the spend and deficit presented in this budget was not approved. The only approved MELS spend for the review period was the overall MELS budget submitted by ICLC in or around August 2020.</p> <p>MLC’s expense allocation to MELS is not inconsistent with the MELS Budget as:</p> <ul style="list-style-type: none"> • Salaries: The MLC’s Budget provides \$160,959. This compares to MLC’s allocation of \$148,983¹⁴ for direct and indirect salaries.

¹⁴ Direct Salaries \$132,705 + Indirect Salaries of \$16,278 = \$148,983.

Information issued by MLC	Significant findings
	<ul style="list-style-type: none"> • Superannuation: The MLC’s Budget provides \$15,291. This compares to MLC’s allocation of \$14,188. • Employee related on costs: The MLC’s Budget provides \$5,776. This compares to MLC’s allocation of \$13,556¹⁵. While this is higher than the MLC’s Budget, it is within the allowance of the approved MELS budget submitted by ICLC of \$23,058. • Operating costs and office overheads: The MLC’s Budget provides \$22,288. This compares to MLC’s allocation of \$17,066¹⁶.
<p>Joint Pool 2 Project Summary. This is a report provided to Legal Aid NSW by MLC on 1 April 2021.</p>	<p>The information provided to Legal Aid NSW was separated into Financial Information and non-financial information. KPMG make the following observations.</p> <p>1. <u>Financial information</u></p> <p>The report provides the total MELS funding allocated to the Legal Centres for the period 1 July 2020 – 29 March 2021 (i.e. the first three quarters of the MELS program, including the quarter for which ICLC was lead agency).</p> <p>For the allocation to ICLC, KLC and RLC, KPMG is unable to verify the amounts reported as we do not have access to the details of the quarter one distribution made by ICLC to the centres.</p> <p>For the allocations to MLC, KPMG verified that the MELS funding allocation of \$127,255 was consistent with the receipts in MLC’s bank statements and accounting allocations.</p> <p>2. <u>Non-financial information</u></p> <p>MLC provided Legal Aid NSW with the details of the MELS roles filled by MLC staff. It is unclear from the report if these were proposed roles or roles it had already funded.</p> <p>KPMG makes the observation that the roles are inconsistent with salaries recorded to the MELS cost centre. In particular:</p> <ul style="list-style-type: none"> • The role of Program Director filled by [REDACTED] listed in the report is not evident in the final balance for salaries and wages, nor is it included in the employee allocations for the indirect cost allocations for MELS. We note that some of the wages of [REDACTED] were allocated to MELS however these were reversed on 1 March 2021 and 30 April 2021.

¹⁵ Provision for Redundancy \$4,983, Provision for Leave Loading \$4,739 + Provision for Long Service Leave \$3,104 + Prov for Annual Leave \$730 = \$13,556.

¹⁶ Indirect Costs – office level \$3,583 + Indirect Costs – organisational level \$13,483 = \$17,066.

Information issued by MLC	Significant findings
	<ul style="list-style-type: none"> The role of Community Engagement Officer is not included in the wages and salaries recorded to MELS.

5.3. Additional Correspondence Reviewed

In addition to verifying the accuracy of the financial and management information against the MELS Budget and the Joint Pool 2 Project Summary, KPMG performed a review of general correspondence to verify the accuracy of statements made by MLC. The details of the review of this correspondence is provided in Appendix Q. A summary of the findings from this review follow.

Information issued by MLC	Significant findings
4 November 2020: Email from MLC to CLC Program (Legal Aid NSW) requesting details regarding MLC's reporting obligations.	The comments made by MLC in relation to the primary use of funds being used for a solicitor are not inconsistent with the financial information provided by MLC.
31 March 2021: Email from MLC to Legal Aid NSW noting that despite the ongoing dispute, MELS continues to meet the service delivery obligations pursuant to the Agreement. It noted that an allocation of the Program Director's salary would be funded by the MELS program.	It appears MLC's position on the allocation of the Program Director's salary changed since the date of this email as an initial allocation of the salary was reversed out of the accounts resulting in no funding by MELS of the Program Director's salary.
9 April 2021: Email from MLC to CLC Program (Legal Aid NSW) advising that MLC is unable to agree to a proposed variation and providing a proposal for Q4.	<p>The following information in this email is not consistent with the financial information provided by MLC:</p> <ul style="list-style-type: none"> The email states the amount of MELS funding allocated to MLC for 2020-21 financial year is \$226,577.09. According to the information provided by MLC, MLC received \$127,255 as of 9 April 2021. This was made up of the Q1 distribution from ICLC of \$42,126 and \$85,129 of MLC self-allocations for Q2-Q3 during its time as lead. The email states the amount of MELS funding MLC received in January 2021 (Q3) is \$48,634.34. The financial information provided by MLC states the Q3 contribution was \$30,582. The email refers to the role of Program Director being included in expenses reported. The only roles funded by MELS were the Employment Lawyer, Community Worker and Employment Solicitor.

Information issued by MLC	Significant findings
14 April 2021: Email from MLC to Legal Aid NSW regarding a proposed variation for Q4.	This is a proposal, there is no reporting of financial figures to be verified.
21 May 2021: Response from MLC to Legal Aid NSW regarding a suspension notice.	The comments made by MLC are not inconsistent with the financial information provided by MLC to KPMG.
21 May 2021: Report prepared by MLC containing its MELS related financial activities for the first 3 quarters of FY2020-21.	<p>The salary, superannuation and on costs figures reported for the role of Program Director were not consistent with the financial information provided to KPMG by MLC. The balances for these expense types recorded to the MELS cost centre at the end of the financial year do not include this entry for the role of Program Director.</p> <p>The overheads reported of nil in the report are not consistent with the overheads recorded in MLC's financial statements in the MELS cost centre for the same period. For the period year to date 31 March 2021, MLC had incurred overheads expenditure of \$24,605.</p>
10 June 2021: Letter from MLC to Legal Aid NSW regarding an ongoing dispute and a counteroffer.	This is a proposal, there is no reporting of financial figures to be verified by KPMG.
8 July 2021: Letter from MLC to Legal Aid NSW regarding an ongoing dispute and suspension notice. There are references to Train the Trainer Program and the decision not to fund the Program Director out of MELS	The comments made by MLC relating to the Train the Trainer program are not inconsistent with the financial information provided by MLC.

6. Warranties and disclaimers

We have prepared this report for the purpose set out in the Introduction section of this report, and it is not to be used for any other purpose without our prior written consent.

Accordingly, KPMG accepts no responsibility in any way whatsoever for the use of this report for any purpose other than that for which it has been prepared.

The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

This report is marked private and confidential, and must not be shown, copied, provided, disseminated, given to or relied on by any other person or entity without our express written consent which may be withheld in our absolute discretion.

We have considered and relied upon information, which we believe to be reliable, complete and not misleading. Nothing in this letter should be taken to imply that we have verified any information supplied to us, or have in any way carried out an audit of any information supplied to us other than as expressly stated in this report. The statements and findings included in this report are given in good faith, and in the belief that such statements and findings are not false or misleading.

The findings provided in this report are based solely on the information provided to us during the course of our work to date.



Luke Howman-Giles
Partner
KPMG
Date: 14 October 2021



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