

Financial overview

we improved our financial position for the 1999-2000 financial year

Income

Income of \$96.428m was received during 1999-2000, compared to \$91.745m in 1998-99.

The 1999-2000 income figure is somewhat misleading as it includes a non-cash adjustment of \$8.376m to reflect the year-end position of the Commission's Prepaid Superannuation Contribution reserve account. The status of the Superannuation reserve account is assessed annually by the Government Actuary and this year was found to be \$8.376m overfunded. The Commission did not have use of this "income" at any stage during the year.

The main sources of base funding for the Commission are the State and Commonwealth Governments, the Law Society of NSW Public Purposes Fund and contributions from legally aided persons.

The State Government provided \$38.024m (39.4%), the Trustees of the Public Purposes Fund \$13.294m (13.8%), the Commonwealth Government \$30.280m (31.4%) and legally aided clients contributed \$5.048m (5.23%). The balance of \$9.782m (10.14%) mainly includes the one-off prepaid superannuation account adjustment of \$8.376m and interest earnings of \$0.989m.

Supplementary capital funding of \$0.072m was received from the State Government to offset the cost of implementing the New Tax System during 1999-2000. The New Tax System will have a significant impact on the Commission's future operations.

Specific purpose grants totalling \$10.483m were made available to fund a range of Community projects. See pages 65 and 66.

Capital funding of \$2.562m was provided from the State Asset Acquisition program to fund a progressive upgrade of the Commission's information systems, computer hardware and accommodation requirements.

Expenditure

Total Commission expenditure amounted to \$87.150m (\$87.242m 1998-99) of which \$24.210m or 28% related to Commonwealth law matters (1998-99 \$31.920m). The decrease in Commonwealth law expenditure this year reflects the reduction in activity that was required to align expenditures over the three years of the contract with available funds.

The Commission provides legal assistance to eligible clients in both Commonwealth and State law, using a combination of inhouse and private lawyers. Private lawyers were paid \$29.082m this year compared to \$34.339m in 1998-1999.

Employee-related expenditure, which includes the Commission's employed lawyers and support staff is up \$2.812m, or 8.06%, compared to 1998-99. The increase is mainly due to the full year effect of a 3% award increase effective from 8 January 1999 and a further 2% paid from 7 January 2000.

Grants to Community Legal Centres and the Women's Domestic Violence Court Assistance Program amounted to \$10.483m (\$9.092m in 1998-99).

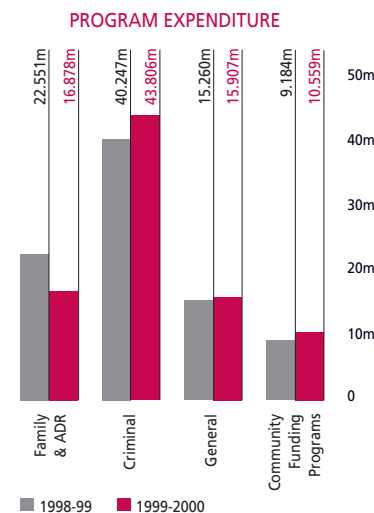
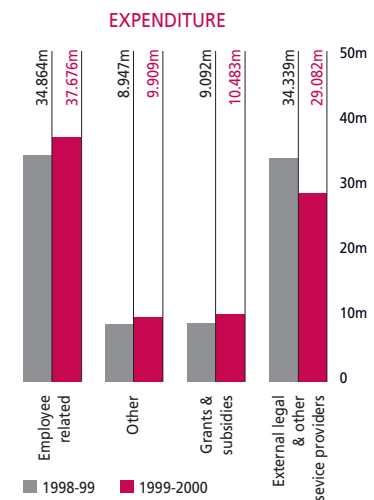
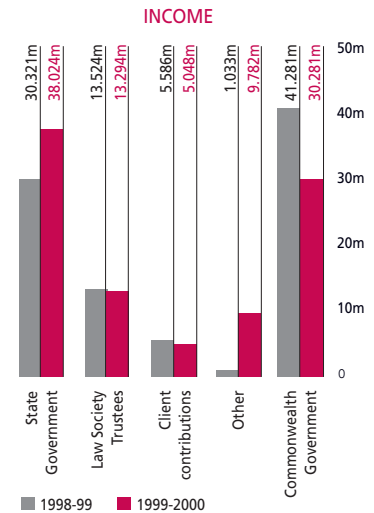
Other expenditure totalled \$9.909m, which is up 10.75% compared to last year.

Assets

Assets have increased, mainly due to the continuing upgrade of the Commission's information technology systems, and the recognition of the Superannuation Authority as a debtor for the balance of the Commission's Prepaid Superannuation Contribution reserve account.

Liabilities

Liabilities decreased by \$7.019m as a consequence of a review of the time factors used to assess the value of work done by private lawyers but not invoiced, the repayment of a Treasury advance and a reduction in the value of accounts payable.



Financial Report

30 June 2000

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Independent Audit Report



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

LEGAL AID COMMISSION OF NEW SOUTH WALES

To Members of the New South Wales Parliament and Members of the Commission

Scope

I have audited the accounts of the Legal Aid Commission of New South Wales for the year ended 30 June 2000. The members of the Board of the Commission are responsible for the financial report consisting of the accompanying statement of financial position, operating statement, statement of cash flows, program statement - expenses and revenues and summary of compliance with financial directives, together with the notes thereto and the information contained therein. My responsibility is to express an opinion on the financial report to Members of the New South Wales Parliament and members of the Commission based on my audit as required by sections 34 and 41C(1) of the *Public Finance and Audit Act 1983* (the Act). My responsibility does not extend to an assessment of the assumptions used in formulating budget figures disclosed in the financial report.

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates.

In addition, other legislative and policy requirements, which could have an impact on the Commission's financial report, have been reviewed on a cyclical basis. For this year, the requirements examined comprised compliance with:

- core business activities being in accordance with *Legal Aid Commission Act 1979*, as amended;
- key provisions of Part 2 of the *Public Sector Management Act 1988* and Parts 2, 3, 4, 5 and 6 of the *Public Sector Management (General) Regulation 1996*; and
- the Premier's Department SES Guidelines in respect of the Managing Director's contract

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the requirements of the Act, Accounting Standards and other mandatory professional reporting requirements, in Australia, so as to present a view which is consistent with my understanding of the Commission's financial position, the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report of the Legal Aid Commission of New South Wales complies with sections 41B and 41BA of the Act and presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements the financial position of the Commission as at 30 June 2000 and the results of its operations and its cash flows for the year then ended.

P.K. Brown

P K BROWN, FCA
PRINCIPAL AUDITOR
(duly authorised by the Auditor-General of New South Wales
under section 41C(1A) of the Act)

SYDNEY
13 September 2000

Statement by members of the Commission

Statement by Members of the Commission

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 (General) Regulation 1995, 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 2000 and transactions for the year then ended.
3. There are no circumstances which render any particulars included in the financial statements to be misleading or inaccurate.



Phillip Taylor
Chairman



Margaret Allison
Managing Director

12th September 2000

Operating Statement for the Year Ended 30 June 2000

	Notes	Actual 2000 \$'000	Budget 2000 \$'000	Actual 1999 \$'000
Grants and Subsidies reflect grants made to Community Legal Centres and the Women's Domestic Violence Court Assistance Program				
Other Expenses include payments to the private profession after allowing for movements in Work in Progress				
Sale of Goods and Services represents contributions by legally aided persons and includes funding from the Commonwealth Government under the agency agreement				
Recurrent Appropriation represents allocations from the State Government				
Capital Appropriation was made available by the State Government to upgrade the Commission's information systems and accommodation				
Expenses				
Operating expenses				
Employee related	2(a)	37,676	38,410	34,864
Other operating expenses	2(b)	7,498	6,897	6,552
Maintenance	2(c)	708	658	608
Depreciation and amortisation	2(d)	1,703	1,600	1,787
Grants and subsidies	2(e)	10,483	9,525	9,092
Other expenses	2(f)	29,082	27,415	34,339
Total Expenses		87,150	84,505	87,242
less:				
Retained Revenue				
Sale of goods and services	3(a)	30,572	36,696	42,679
Investment income	3(b)	989	520	726
Grants and contributions	3(c)	18,271	16,947	17,817
Other revenue	3(d)	8,589	180	282
Total Retained Revenue		58,421	54,343	61,504
(Loss) on sale of non-current assets	4	(17)	0	(80)
Net Cost of Services	25	28,746	30,162	25,818
Government Contributions				
Recurrent appropriation (net of Transfer Payments)	6(a)	35,390	35,187	28,838
Capital appropriation	6(b)	2,634	2,562	1,483
Total Government Contributions		38,024	37,749	30,321
SURPLUS FOR THE YEAR		9,278	7,587	4,503
The accompanying notes form part of these statements				

Statement of Financial Position as at 30 June 2000

	Notes	Actual 2000 \$'000	Budget 2000 \$'000	Actual 1999 \$'000
ASSETS				
Current Assets				
Cash	11	3,574	8,628	3,123
Investments	12	1,000	0	1,200
Receivables	13	3,883	5,559	9,497
Total Current Assets		8,457	14,187	13,820
Non-Current Assets				
Plant and equipment	14	6,830	5,784	5,675
Receivables	13	18,603	9,150	12,136
Total Non-Current Assets		25,433	14,934	17,811
Total Assets		33,890	29,121	31,631
LIABILITIES				
Current Liabilities				
Accounts Payable	16	7,209	12,531	10,551
Borrowings	17	0	0	2,450
Employee Entitlements	18	3,918	2,219	2,859
Total Current Liabilities		11,127	14,750	15,860
Non-Current Liabilities				
Accounts Payable	16	30	1,773	2,963
Employee Entitlements	18	6,348	4,793	5,701
Total Non-Current Liabilities		6,378	6,566	8,664
Total Liabilities		17,505	21,316	24,524
Net Assets		16,385	7,805	7,107
EQUITY				
Accumulated Funds	19	16,385	7,805	7,107
Total Equity		16,385	7,805	7,107

Non-Current Assets - Receivables include pre-paid superannuation contributions reserve of \$12.327m and an amount of \$0.418m owing by the Commonwealth

Accounts Payable includes a valuation of work-in-progress for referred matters as at balance date

The accompanying notes form part of these statements

Statement of Cash Flows for the Year Ended 30 June 2000

	Notes	Actual 2000 \$'000	Budget 2000 \$'000	Actual 1999 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(35,970)	(38,259)	(33,378)
Grants and subsidies		(10,483)	(9,525)	(7,386)
Other		(43,219)	(34,697)	(47,493)
Total Payments		(89,672)	(82,481)	(88,257)
Receipts				
Sale of goods and services		38,039	37,006	37,815
Interest received		989	520	726
Other		18,196	17,127	18,099
Total Receipts		57,224	54,653	56,640
Cash Flows from Government				
Recurrent appropriation		35,390	35,187	28,838
Capital appropriation		2,634	2,562	1,483
Net Cash Flows from Government		38,024	37,749	30,321
NET CASH FLOWS FROM OPERATING ACTIVITIES	25	5,576	9,921	(1,296)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		232	550	266
Purchase of plant and equipment		(3,107)	(2,562)	(2,826)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(2,875)	(2,012)	(2,560)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of borrowing and advances		(2,450)	(2,450)	0
NET CASH FLOWS FROM FINANCING ACTIVITIES		(2,450)	(2,450)	0
NET INCREASE/(DECREASE) IN CASH		251	5,459	(3,856)
Opening cash and cash equivalents		4,323	3,169	8,179
CLOSING CASH AND CASH EQUIVALENTS	24	4,574	8,628	4,323

Other Receipts include funding from the Law Society of New South Wales Public Purposes Fund

The accompanying notes form part of these statements

Summary of Compliance with Financial Directives for the Year Ended 30 June 2000

	2000				1999			
	Recurrent Appropriation \$'000	Expenditure (Note 1) \$'000	Capital Appropriation \$'000	Expenditure \$'000	Recurrent Appropriation \$'000	Expenditure \$'000	Capital Appropriation \$'000	Expenditure \$'000
Original Budget								
Appropriation/ Expenditure								
Appropriation Act	35,187	35,145	2,562	2,562	29,677	29,677	1,483	1,483
Additional appropriations	0	0	0	0	140	140	0	0
S21A PF&AA - special appropriation	0	0	0	0	0	0	0	0
S24 PF&AA - Transfers of func- tions between departments	0	0	0	0	0	0	0	0
S26 PF&AA - Commonwealth specific purpose payments	0	0	0	0	0	0	0	0
	35,187	35,145	2,562	2,562	29,817	29,817	1,483	1,483
Other Appropriations/ Expenditure								
Treasurer's Advance (Note 2)	0	0	0	0	2,221	514	0	0
Section 22 - expenditure for certain works and services	245	245	72	72	1,522	1,522	0	0
Transfers from another agency (section 26 of the Appropriation Act)	0	0	0	0	0	0	0	0
	245	245	72	72	3,743	2,036	0	0
Total Appropriations/ Expenditure/Net Claim on Consolidated Fund (Includes transfer payments)	35,432	35,390	2,634	2,634	33,560	31,853	1,483	1,483
Amount drawn down against Appropriation	0	35,390	0	2,634	0	31,853	0	1,483
Liability to Consolidated Fund	0	0	0	0	0	0	0	0

Note (1) The Summary of Compliance is based on the assumption that Consolidated Fund moneys are spent first (except where otherwise identified or prescribed).

Note (2) The \$2.221m included as a recurrent appropriation from the Treasurer's Advance in 1999 was not sought, required or utilised by the Commission but is required to be recorded as an appropriation in accordance with the Financial Reporting Code for Budget Dependant General Government Sector Agencies. Of this amount, \$1.522m represents a duplication of the supplementation provided and accessed under Section 22 of the *Public Finance and Audit Act* to offset the effects of the Court Delay Reduction Program.

Program Statement -

Expenses and Revenues for the year ended 30 June 2000

AGENCY'S EXPENSES & REVENUES	Family Law*		Criminal Law*		General Law*	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
EXPENSES						
Operating expenses						
Employee related	9,711	9,861	19,265	17,075	8,105	7,438
Other operating expenses	2,182	1,847	3,468	3,041	1,732	1,570
Maintenance	181	157	369	300	152	145
Depreciation and amortisation	445	501	827	818	411	448
Grants and subsidies	262	256	0	0	0	0
Other Expenses	3,396	9,459	19,877	19,013	5,507	5,659
Total Expenses	16,177	22,081	43,806	40,247	15,907	15,260
Retained Revenue						
Sale of goods and services	14,734	17,835	4,466	7,389	8,351	10,963
Investment income	51	60	6	2	61	40
Grants and contributions	0	0	788	833	176	233
Other revenue	21	46	34	64	36	22
Total Retained Revenue	14,806	17,941	5,294	8,288	8,624	11,258
Gain/(Loss) on sale of non-current assets	(6)	(8)	32	(4)	23	(9)
NET COST OF SERVICES	1,377	4,148	38,480	31,963	7,260	4,011
Government Contributions**	0	0	0	0	0	0
NET EXPENDITURE / (REVENUE)	1,377	4,148	38,480	31,963	7,260	4,011
ADMINISTERED EXPENSES & REVENUES						
	Family Law*		Criminal Law*		General Law*	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Administered Expenses						
Transfer Payments	0	0	0	3,015	0	0
Other						
Total Administered Expenses	0	0	0	3,015	0	0
Administered Revenues						
Transfer receipts						
Consolidated Fund	0	0	0	3,015	0	0
- Taxes, fees and fines						
- Other						
Total Administered Revenues	0	0	0	3,015	0	0
Administered Revenues less Expenses	0	0	0	0	0	0

* The name and purpose of each program is summarised in Note 10.

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

Community Legal Centres*		Alternative Dispute Resolution*		Not Attributable		Total	
2000	1999	2000	1999	2000	1999	2000	1999
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
262	261	333	229	0	0	37,676	34,864
62	73	54	21	0	0	7,498	6,552
4	3	2	3	0	0	708	608
10	11	10	9	0	0	1,703	1,787
10,221	8,836	0	0	0	0	10,483	9,092
0	0	302	208	0	0	29,082	34,339
10,559	9,184	701	470	0	0	87,150	87,242
65	106	695	392	2,261	5,994	30,572	42,679
0	0	0	0	871	624	989	726
5,254	4,819	0	0	12,053	11,932	18,271	17,817
1	0	10	0	8,487	150	8,589	282
5,320	4,925	705	392	23,672	18,700	58,421	61,504
0	0	(1)	0	(65)	(59)	(17)	(80)
5,239	4,259	(3)	78	(23,607)	(18,641)	28,746	25,818
0	0	0	0	38,024	30,321	38,024	30,321
5,239	4,259	(3)	78	(61,631)	(48,962)	(9,278)	(4,503)
Community Legal Centres*		Alternative Dispute Resolution*		Not Attributable		Total	
2000	1999	2000	1999	2000	1999	2000	1999
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
0	0	0	0	0	0	0	3,015
0	0	0	0	0	0	0	3,015
0	0	0	0	0	0	0	3,015
0	0	0	0	0	0	0	3,015
0	0	0	0	0	0	0	0

Notes to and forming part of the Financial Report For the Year Ended 30 June 2000

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Legal Aid Commission of NSW (the Commission) reporting entity comprises all the operating activities under the control of the Commission. In previous years, funding was provided to the Commission via the Consolidated Fund to finance the activities of the Public Defender's Office (PDO). This \$3.015m allocation was shown as a transfer payment in 1998/99 (Refer Note 9). As from 1 July 1999, the Public Defender's Office is being funded by the Attorney General's Department. Transactions relating to the Legal Aid Commission Trust Account and the General Trust Fund are not included in the Operating Statement, 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.

(b) Basis of Accounting

The Commission's financial statements are a general purpose financial report, which, apart from the requirements of the Public Finance and Audit Act and Regulations, have been prepared on an accruals basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Boards, the Urgent Issues Group Consensus Views, the Financial Reporting Code for Budget Dependent General Government Sector Agencies, and other Directions issued by the Treasurer under section 9(2)(n) of the Public Finance and Audit Act.

The Statement of Cash Flows has been prepared using the 'direct method' in accordance with AAS 28 "Statement of Cash Flows" by adjusting items in the Operating Statement for Non-Cash items.

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. The accounting policies adopted are consistent with those of the previous year.

(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

From this financial year, there is a change in accounting policy for the recognition of parliamentary appropriations. Parliamentary appropriations are generally recognised as revenues when the agency obtains control over the assets comprising the appropriations/contributions. Control over appropriations and contributions is normally obtained upon 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.

There is no effect of this change on the Commission's funding as the Consolidated Fund moneys are spent first, unless otherwise identified or prescribed, on operating activities with the balance of the operating activities being met from funding sources other than Consolidated Fund. The Commission fully utilised its 1999/00 allocation and consequently no liability to the Consolidated Fund exists.

(ii) Sale of Goods and Services

Revenue from sale of goods and services comprises revenue only from the provision of services ie contributions to the cost of legal representations. Contributions are recognised as revenue when the Commission obtains control of the assets that result from them.

(iii) Investment income

Interest revenue from investments with TCorp and deposits with the Colonial State Bank is recognised as it accrues.

(e) Employee Entitlements

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

Liabilities for wages and salaries, annual leave and accrued flex leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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 amount of payroll tax, which is consequential to employment, is recognised as liability and expense where the employee entitlements to which it relates has been recognised. Refer to Note 18.

(ii) Long Service Leave

Provision has been made for amounts expected to be paid to employees for long service leave based on the employer's liability at balance date. Provision has been made to meet the liability for long service leave entitlements of all employees with a minimum of five years appropriate service, based on current remuneration rates.

In relation to the Australian Accounting Standard AAS 30 "Accounting for Employee Entitlements", the Commission has adopted the nominal or undiscounted method as the use of the discounted or present value method would not result in a material difference in the financial statements. On-cost expenses, which are consequential to the employment of employees, are recognised as expenses and liabilities. Refer to Note 18.

(iii) Superannuation

The superannuation expense for the reporting period is determined by the Government Actuary. It reflects the present value of anticipated future payments to be made by the State Authorities Superannuation Scheme (SASS), the State Superannuation Scheme (SSS) and the State Authorities Non-Contributors Superannuation (Basic Benefit) Scheme (SANCS), to beneficiaries. From 1 July 1999 the Commission has recommenced its employer contribution to SSS, SASS, and SANCS after a contribution holiday in 1998/99. The annual statements of the Commission's prepaid contribution reserve reflect an actuarial review of the State Authorities Superannuation Board Pooled Fund as at 30 June 2000. Interest earned by the reserve has been included in the actuarial review. Refer to Notes 2(a), 3(d), 7(i), 13 & 23.

(f) Insurance

Insurance coverage is maintained with the NSW Treasury Managed Fund for Workers Compensation, Motor Vehicles, Liability, Property and Miscellaneous. The expense (premium) is determined by the Fund Manager based on past experience.

(g) 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. A register of low value assets (items costing less than \$1,000 and which are fully expensed) is maintained by the Commission.

(h) Revaluation of Physical Non-Current Assets

Due to the nature of assets held by the Commission, the written down value of the non-current assets is considered to be representative of the market value of these assets. Most assets are comprised of Information Technology equipment that is being fully depreciated over 5 years. As a result of this, no external revaluation of these assets has been conducted over the 5 year period.

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.

(i) Depreciation

Depreciation is calculated on a straight-line method so as to write off the net value of the asset over its expected 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 are capitalised and depreciated at the rate of 20% per annum. Depreciation for Motor Vehicles is calculated at 7% to allow for the disposal value obtained at auction being below that for the purchase price (the Commission being exempt from sales tax in the purchase price). Refer to Notes 2(d) & 14.

	%
Computer Equipment	20.0
Contractors Fees relating to Computer Replacement Project	20.0
Office Equipment	15.0
Furniture and Fittings	12.5 (or term of lease)
Motor Vehicles	7.0

(j) Investments

Cash deposits are held with Treasury Corporation (TCorp) and the Colonial State Bank. Interest revenues are recognised at the time the benefit accrues. Refer to Notes 1(o), 3(b), 11, 12, 23, 24 & 29.

(k) Trust Funds

The Commission receives monies in a trustee capacity for trusts as set out in Note 26. 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.

(l) 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(f), 7(ii), 16 & 23. The estimated net cost of referred work that is yet to be performed on current grants of legal aid is disclosed by way of a note. Refer to Notes 20(a) & 21. 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.

(m) Provision for Doubtful Debts

The expected recovery of client debtor amounts is assessed at the reporting date and a general provision is made for accounts considered doubtful based on the collection history, age, security cover and the long term nature of the Commission's debtors.

(n) Leases

Operating lease payments are charged to the operating statement in the periods in which they are incurred. The Commission does not have any finance leases. Refer to Note 20(b).

(o) Cash

For purposes of the Statement of Cash Flows, cash includes cash deposits which are readily convertible to cash on hand and used in the cash management function on a day-to-day basis. Refer to Notes 1(j), 3(b), 11, 12, 23, 24 & 29.

2 EXPENSES**(a) Employee related expenses comprise the following specific items:**

	2000	1999
	\$'000	\$'000
Salaries and wages (including Recreation Leave)	31,704	29,547
Superannuation	2,650	2,128
Long service leave	534	937
Workers compensation insurance	126	166
Payroll tax	2,662	2,086
Total	37,676	34,864

Salaries and wages include payment of salaries and allowances, leave loading, leave on termination, recreation leave, medical examination costs, and redundancy payments. Salaries paid to in-house Commission solicitors are also included. The Commission recommended employer superannuation contributions from 1 July 1999 after an approved "contribution holiday" during 1998/99. Refer to Notes 1(e)(iii), 13 & 23.

(b) Other operating expenses

Rental expense relating to operating leases	2,679	2,334
Telephone	633	501
Library resources	552	558
Computer running costs	534	625
Bad and Doubtful debts	398	50
Stationery, stores and provisions	296	260
Travel compensation	254	246
Record Management	233	198
Interpreters' fees (non-case)	185	223
Printing	182	188
Courier and Freight	161	80
Electricity and gas	155	153
Postage	137	209
Cleaning	134	119
Practice Certificates	132	125
Auditors' remuneration (See Note 27)	102	103
Consultants (See Note 28)	91	13
Insurance	87	93
Other	553	474
Total	7,498	6,552

(c) Maintenance

Building maintenance	69	99
Equipment maintenance and repairs	639	509
Total	708	608

The Commission does not have any major assets requiring periodic maintenance.

(d) Depreciation and amortisation expenses

	2000	1999
	\$'000	\$'000
Fit out Costs – 323 Castlereagh St	646	542
Equipment	32	28
Motor Vehicles	46	31
Computer equipment	19	20
Computer Replacement Project	900	1,098
Low Value assets	60	68
Total	1,703	1,787

Refer to Notes 1(i) & 14.

(e) Grants and Subsidies

Domestic Violence Court Assistance Programme	2,111	1,706
Community Legal Centres (CLC)	8,372	7,386
Total	10,483	9,092

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

(f) Other expenses

Solicitors Services provided by private practitioners*	12,776	19,435
Barristers Services provided by private practitioners**	11,042	9,674
Disbursements	5,264	5,230
Total	29,082	34,339

* 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. A reduction of \$4.178m in this item in 1999/00 reflects an update of the time periods used in the calculation of work in progress to reflect current experience. Refer to Notes 1(l), 7(ii), 16 & 23.

**Includes a one off payment of \$0.250m (\$0m in 1998/99) to the Public Defender's Office.

3 REVENUES**(a) Sale of goods and services**

Family Law	859	691
Criminal Law	802	846
General Law	3,387	4,048
Commonwealth funding*	25,524	37,094
Total	30,572	42,679

*Base funding of \$31.1m (\$31.1m in 1998/99) was received from the Commonwealth Government under the agency agreement. An estimated amount of \$0.070m (1998/99 \$0.106m) of the base funding had been utilised for the management costs of the CLC program. The Commission provided services to the Commonwealth on the basis of a 3-year agency agreement which ended on 30 June 2000. In the final year of the Agency Agreement (1999/00), expenditure exceeded available funds by \$0.418m. This amount has been included under the item "Sale of Goods and Services" together with the Commonwealth base funding of \$31.1m. Refer to Note 13.

(b) Investment Income

	2000 \$'000	1999 \$'000
Interest on outstanding accounts	118	101
Interest on investment	871	625
Total	989	726

Refer to Notes 1(j), 1(o), 11, 12, 23, 24 & 29.

(c) Grants and contributions

Commonwealth Government		
Community Legal Centre Grants*	4,580	3,955
Commonwealth Government		
Special Purpose Funds	176	232
Department of Juvenile Justice	100	100
Office of Information Technology	121	0
NSW Police Service	0	5
Law Society Statutory Interest Account**	0	51
Law Society Solicitor's Trust		
Accounts Funds ***	0	7,379
Law Society Public Purposes		
Fund ****	13,294	6,095
Total	18,271	17,817

* \$4.580m in Community Legal Centre (CLC) Grants (1998/99 \$3.955m) were received from the Commonwealth Government.

Commonwealth Government Special Purpose Funds

The Commonwealth Government provided \$0.176m (1998/99 \$0.232m) for refugee matters under separate contract

State Department for Juvenile Justice

The Department for Juvenile Justice has provided \$0.100m to fund the Juvenile Justice Visiting Legal Service (1998/99 \$0.100m).

** Law Society Statutory Interest Account

Prior to the establishment of the Public Purposes Fund on 5 March 1999, the *Legal Profession Act 1987* required that any moneys received by a solicitor on behalf of a client were to be held in trust. Two-thirds of the minimum annual balance was paid into the Law Society Statutory Interest Account. Interest earned on these funds was applied, inter alia, to the Legal Aid Fund established under the Legal Aid Commission Act 1979. The Law Society Trustees determined the extent of the annual subsidy. No allocations were made to the Commission from this fund in 1999/00 (\$0.051m 1998/99) as it was replaced by the Public Purposes Fund.

*** The Law Society Solicitor's Trust Accounts Fund

Prior to the establishment of the Public Purposes Fund on 5 March 1999, interest earned on moneys maintained in Solicitors Trust Accounts was paid to the Law Society's Solicitor's Trust Accounts Fund. Allocations were made at the discretion of the Trustees of the Fund. Specific grants from this Fund in 1998/99 included:

	2000 \$'000	1999 \$'000
Environmental Defenders Office	0	260
Public Interest Advocacy Centre (PIAC)	0	496
Committals – Sydney District Court	0	600
Total	0	1,356

No allocations were made to the Commission from this fund in 1999/00 as it was replaced by the Public Purposes Fund.

**** Public Purposes Fund

This fund was established by legislation on 5 March 1999 to replace the Law Society Solicitor's Trust Accounts Fund and the Law Society Statutory Interest Account. Grants totalling \$13.294m (\$6.095m 1998/99) were received from this fund in 1999/00 including specific funding of \$2.0m (\$1.0m 1998/99) to reduce the impact on the State of the reduction in Commonwealth funding. The provision of \$2.0m was conditional upon the State Government matching this grant.

Other specific grants from this Fund include:

Sydney West Committals Program	688	127
Environmental Defenders Office	260	0
Domestic Violence Court		
Assistance Program	0	109
Public Interest Advocacy Centre	414	0
Total	1,362	236

The total made available from this fund in 1999/00 was \$13.294m (\$6.095m in 1998-1999)

(d) Other revenue

Miscellaneous*	8,589	282
Total	8,589	282

* The Prepaid Superannuation Contributions Reserve (PSCR) for 1999/00 increased by \$8.376m as a result of the actuarial review of the State Authorities Superannuation Board Pooled Fund as at 30 June 2000. Miscellaneous revenue includes the \$8.376m whilst 1998/99 includes a decrease in the PSCR of \$0.312m. The increase of the PSCR is shown as an abnormal item. Refer to Notes 1(e)(iii), 7(i), 13 & 23.

4 GAIN/(LOSS) ON SALE OF NON-CURRENT ASSETS

Proceeds from sale of plant and equipment	232	266
Written down value of assets sold	249	346
Net loss on disposal of plant and equipment	(17)	(80)

5 CONDITIONS ON CONTRIBUTIONS

The Commission has not received any conditional contributions in 1999/00.

6 APPROPRIATIONS

(a) Recurrent Appropriations

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

	2000 \$'000	1999 \$'000
Total recurrent drawdowns from Treasury (per Summary of Compliance)*	35,390	31,853
Less Transfer Payments (per Summary of Compliance)	0	(3,015)
Total	35,390	28,838
Comprising:		
Recurrent appropriations (per Operating Statement)	35,390	31,853
Transfer Payments	0	(3,015)
Total	35,390	28,838

* The Consolidated Fund Appropriation includes State Government's special purpose recurrent funding and other specific schemes. There were no transfer payments in 1999/00. Refer to Note 9.

(b) Capital Appropriations

Total capital drawdowns from Treasury (per Summary of Compliance)	2,634	1,483
Comprising:		
Capital appropriations (per Operating Statement)	2,634	1,483
Total	2,634	1,483

Refer to Note 15

7 ABNORMAL ITEMS

(i) The increase in the Prepaid Superannuation Contribution reserve advised by the Government actuaries at 30 June 2000 was taken up as other revenue. Refer to Notes 1(e)(iii), 3(d), 13 & 23.	(8,376)	Nil
(ii) A change in the methodology used to assess the estimated net cost of work in progress by external legal practitioners who have not submitted an invoice to the Commission at balance date, was taken up during the accounting period. Refer to Notes 1(l), 2(f), 16 & 23	(4,178)*	Nil
Total	(12,554)	Nil

* In calculating the value of work in progress on hand, an estimate is made (based on actuals) of the elapsed time between the practitioner commencing work and forwarding a claim for payment. A recent review by sampling actual files has resulted in significant changes being made to the elapsed time. In criminal matters, the elapsed time halved whilst in family matters, it decreased by one quarter. In civil matters, the change was not significant.

Applying these new times has resulted in a material reduction of \$4.178m (\$9.310m to \$5.132m) being recorded in the work in progress estimate as at 30 June 2000.

8 ACCEPTANCE BY THE CROWN ENTITY OF EMPLOYEE ENTITLEMENTS AND OTHER LIABILITIES

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

9 TRANSFER PAYMENTS

In 1998/99, the Commission transferred an amount of \$3.015m to the Attorney General's Department for the Public Defender's Office (PDO). The Commission did not administer the activities of the PDO and did not control its activities on behalf of the Crown. The annual grant to the Public Defender's Office was fixed for the Attorney General's Department, by the Treasury and was included in the Commission's Parliamentary Allocation. The Commission did not have the discretion to deploy the resources for the achievement of the agency's own objectives. In 1999/00, the Commission did not have any transfer payments as the Parliamentary Allocation for the PDO was included in the Attorney General's Department's budget. Refer Note 6(a).

10 PROGRAMS / ACTIVITIES OF THE COMMISSION

Program 1 Disputes Arising from Family Relationships

Legal Aid and Other Legal Services for Eligible Persons in Disputes Arising from Family Relationships
Objective: To provide legal services for eligible persons under legislation relating to family law, de facto relationships, adoption of children, child support, matters coming under the Children (Care and Protection Act) 1987 and in disputes arising from family relationships. To promote the role of alternative dispute resolution in family law matters through conferencing and mediation.

Program 2 Criminal Law Matters

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.

Program 3 General Law Matters

Legal Aid and Other Legal Services for Eligible Persons in General Law Matters.
Objective: To provide legal services for persons in civil matters that fall within Commission guidelines.

Program 4 Community Legal Centre Funding

Objective: To provide accessible 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 take part in law reform activities to redress social and legal injustices. To provide information, advice and casework for the socially and economically disadvantaged.

Program 5 Alternative Dispute Resolution Funding

Objective: To provide timely, inexpensive, informal and accessible resolution of disputes and to minimise the need to resort to litigation.

11 CURRENT ASSETS- CASH

	2000 \$'000	1999 \$'000
Cash on Hand	9	9
Cash at Bank	3,565	3,114
Total Cash	3,574	3,123

Refer to Notes 1(j), 1(o), 3(b), 23, 24 & 29.

12 CURRENT ASSETS- INVESTMENTS

	2000 \$'000	1999 \$'000
Investments on call	1,000	1,200
Total Investments	1,000	1,200

Investments are on call deposits held with NSW Treasury Corporation (TCorp). Refer to Notes 1(j), 1(o), 3(b), 23, 24 & 29.

13 CURRENT/ NON-CURRENT ASSETS – RECEIVABLES

Current

Client Contributions/ recoveries receivable	1,138	1,312
Less: Provision for doubtful debts	403	218
	735	1,094
Prepayments	457	447
Other debtors*	465	6,108
Estimated receivables on legal matters in progress***	2,226	1,847
Total Current	3,883	9,496

Non-Current

Client contributions/recoveries receivable	4,800	4,739
Less: Provision for doubtful debts	1,604	1,702
	3,196	3,037
Other debtor**	12,327	3,951
Estimated receivables on legal matters in progress***	3,080	5,149
Total Non-Current	18,603	12,137

*Other current debtors include an amount of \$0.418m (1998/99 \$5.994m) accrued from the Commonwealth to cover over expenditures during the period of the agreement from 1st July 1997- 30 th June 2000. Refer Note 3(a).

**Other non-current debtor represents \$12.327m Prepaid Superannuation Contributions Reserve held by the SAS Trustee Corporation (STC), (1998/99 \$3.951m).

The Prepaid Superannuation Contributions Reserve includes interest earned by the reserve. Refer to Notes 1(e)(iii), 3(d), 7(i) & 23.

The position of the superannuation funds at 30 June 2000 is as follows:

	SASS Employer's Reserve \$'000	SANCS Reserve \$'000	SSS Employer's Reserve \$'000	Total \$'000
Accrued Liability	(5,593)	(2,587)	(14,244)	(22,424)
Less: Estimated Reserve	7,711	3,993	23,047	34,751
Account Closing Balance as at 30/06/00 (Net Liability)/Prepaid Contributions as at 30/06/00	2,118	1,406	8,803	12,327

The prepaid superannuation contribution is recognised as an asset of the Commission. Refer to Notes 1(e)(iii), 3(d), 7(i) & 23.

The liability for the various schemes is based on economic assumptions as advised by the Government actuary as at 30 June 2000:

- (i) Rate of interest return 7.0% per annum;
- (ii) Rate of Salary increase 4.0% per annum; and
- (iii) Rate of increase in Consumer Price Index (CPI) 2.5% per annum.

A number of factors have resulted in an accumulation of funds in the State Superannuation Scheme (SSS) Contributor's Reserve. It has been determined that the residual interest in these funds is with employers and legislation has been passed to enable it's distribution to the superannuation reserve accounts of eligible employers. The SSS Contributor's Reserve account includes \$0.950m from this source. The distribution was based on the proportion of the number of SSS contributors employed by the Commission as at 31 March 1999, to the total number of SSS contributors for all eligible employers as at 31 March 1999.

*** Estimated receivables on legal matters in progress represents an estimate of recovery income receivable on legal expenditure incurred, on unfinalised matters as at 30 June 2000.

The allocation between current and non-current is based on the client contributions/recoveries receivable payment analysis.

Client contributions/recoveries receivable (both current and non-current) in the amount of \$4.085 million (\$4.101m in 1998/99) are secured by way of caveat.

14 NON-CURRENT ASSETS - PLANT AND EQUIPMENT

	2000 \$'000	1999 \$'000
At Cost	14,740	12,693
Accumulated Depreciation at Cost	7,910	7,018
Written Down Value	6,830	5,675

Refer Notes 1(i) & 2(d).

Notes to and forming part of the Financial Report For the Year Ended 30 June 2000

The original costs of fully depreciated assets are as follows:

	2000	1999
	\$'000	\$'000
Number of Items		
105 Computer Replacement Project	940	921
20 Fit out	670	520
62 Other Computers	394	666
31 Office Equipment	110	95
766 Low value assets	234	178
984 Total	2,348	2,380

15 RESTRICTED ASSETS

Specific purpose funds of \$2.634m (1998/99 \$1.483m) were provided in 1999/00 for the progressive upgrade of the Commission's information systems and office accommodation. Refer Note 6(b).

16 CURRENT / NON CURRENT LIABILITIES – ACCOUNTS PAYABLE

Current

Legal	1,231	2,301
Administrative	681	533
Prepaid Grant received*	179	467
Provision for estimated legal expenses**	5,118	7,250
Total Current	7,209	10,551

Non-Current

Legal	16	28
Provision for estimated legal expenses**	14	2,935
Total Non-Current	30	2,963

* Prepaid Grant represents a prepayment of \$0.179m (1998/99 \$0m) from the Office of Information Technology for the development of the Legal HelpLine project. In 1998/99, prepaid grants of \$0.260m and \$0.207m were received from the Law Society of NSW Public Purposes Fund for the Environmental Defenders Office and Public Interest Advocacy Centre respectively. No prepaid grants were received from the Law Society of NSW in 1999/00.

**Being provision for the estimated net cost of work in progress by external legal practitioners who have not submitted an invoice to the Commission at balance date. The allocation between current and non-current is system generated, based on the experience of payment of accounts within 1 and over 1 year of the work done by external legal practitioners. Refer to Notes 1(l), 2(f), 7(ii) & 23.

17 CURRENT LIABILITIES - BORROWINGS

NSW Treasury Advances	0	2,450
Total Borrowings	0	2,450

The Commission has repaid the Treasury Advance in full in 1999/00. Refer to Notes 23 & 29(f).

18 CURRENT / NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS

	2000	1999
	\$'000	\$'000
Current		
Accrued Salaries and Wages	1,058	467
Provision for Recreation Leave*	2,449	2,330
Provision for Long Service Leave**	239	62
Provision for Accrued Salary Oncost***	172	0
Total	3,918	2,859

Non-Current

Provision for Recreation Leave*	148	133
Provision for Long Service Leave**	5,818	5,568
Provision for Accrued Salary Oncost***	382	0
Total	6,348	5,701

*Provision for Recreation Leave

Balance 1 July 1999	2,463	2158
Net increase in recreation leave provision	134	305
Balance 30 June 2000	2,597	2,463

**Provision for Long Service Leave. Refer to Note 1(e)(ii).

Balance 1 July 1999	5,630	4,715
Net increase in long service leave provision	427	915
Balance 30 June 2000	6,057	5,630

The amount of long service leave paid during 1999/00 has been charged directly to the operating statement. Refer to Note 2(a).

***Provision for Accrued Salary Oncost refers to the Payroll Tax payable on the provisions for Recreation and Long Service Leave. No provision for payroll tax was made in previous years.

19 CHANGES IN EQUITY

Accumulated Funds

Balance at 1 July 1999	7,107	2,604
Surplus for the year	9,278	4,503
Balance at 30 June 2000	16,385	7,107

20 COMMITMENTS FOR EXPENDITURE

(a) Other Expenditure Commitments

Estimated future net commitment of referred legal costs remaining on current grants of aid at 30 June 2000.

	21,123	17,623
Total	21,123	17,623

The amount of \$21.123m, (1998/99 \$17.623m) representing the estimated future commitment on grants of legal aid on matters referred to private practitioners, has not been reflected in the financial statements but is shown by way of a note to the

Commission's accounts. This amount includes an estimated GST liability of \$1.920m that is shown by way of a note as a contingent asset. (Refer to Notes 1(l) & 21). A dissection of the commitments into time periods, as required under the Financial Reporting Code is not available. The future commitment for cases conducted in-house has also 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:

	2000	1999
	\$'000	\$'000
Not later than one year	3,479	2,365
Later than one year and not later than 5 years	10,995	5,923
Later than 5 years	36	2,573
Total	14,510	10,861

Refer to Note 1(n).

The above amount includes an estimated GST liability of \$1.319m that is shown by way of a note as a contingent asset. (Refer to Note 21)

(c) Computer upgrade & LA Office software program

In July 1999, the Commission replaced its core legal database system with the LA Office software program to ensure Y2K compliance. This program has been adopted by all Legal Aid Commissions in Australia.

Aggregate capital expenditure contracted for at balance date but not provided for in accounts payable :

Not later than one year	0	640
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21 CONTINGENT ASSETS

Amounts of \$1.920m and \$1.319m for Other Expenditure Commitments and Operating Lease Commitments respectively, are shown as contingent assets in respect of the GST payable for the relevant estimated future commitments on grants of legal aid on matters referred to private practitioners and operating lease commitments. In accordance with the New Tax System, these are claimable from the Australian Taxation Office (ATO) when they are paid. Refer to Notes 1(l), 20(a) & 20(b).

22 CONTINGENT LIABILITIES

- A litigation for professional negligence for which the Crown Solicitor's Office (CSO) is acting on behalf of the Commission and which is subject to a claim on the Treasury Managed Fund (TMF) has a potential liability of \$80,000.
- The CSO is seeking to have another matter of professional negligence struck out for want of prosecution although this is subject to a claim on the TMF (\$40,000).
- A claim, referring to a Family matter in which the CSO has indicated that it proposes taking no further action in the litigation unless something arises, has a potential liability of \$150,000. As the incident

arose after the commencement of the TMF in July 1989, the Commission has informed the GIO of the matter.

- A claim seeks to recover pre-legal aid party costs by attempting to obtain priority over the Commission's charge in relation to the section 46 contribution. The amount secured is approximately \$47,000.
- Two new matters, the first one being an unclear claim and therefore of unknown potential liability, have been notified to TMF. The CSO is acting on our behalf. The other matter refers to the Trustee in Bankruptcy seeking to recover an initial contribution of \$5,685 as a preference.

23 BUDGET REVIEW

Budget Overview

The Commission's 1999/00 overall budget position was affected by:

- An accrual in 1998/99 of \$5.994m in Commonwealth income to recognise the expenditure for the first two years of the agency agreement exceeded available funds. This was not shown in the 1999/00 budget papers as they were published prior to the Commonwealth's final position being established.
- A one-off non-cash adjustment of \$8.376m in the value of Prepaid Superannuation Contribution Reserve held by the SAS Trustee Corporation following a review by the Government Actuary in June 2000. Refer to Notes 1(e)(iii), 3(d), 7(i) & 13.
- An adjustment of \$4.178m made to Other Expenses arising from a review of the calculation of the estimated value of work in progress. Refer Notes 1(l), 2(f), 7(ii) & 16.

Net Cost of Services

The net cost of services was lower than budget by \$1.416m due primarily to variations in the following items:

- Other revenue exceeded budget expectations as a result of a one-off non-cash adjustment of \$8.376m in the value of the Prepaid Superannuation Contribution Reserve held by the SAS Trustee Corporation (STC) following a review by the Government Actuary in June 2000.
- Sales of Goods and Services did not meet budget as \$5.994m of the expected Commonwealth income was brought to account in 1998/99 to recognise the Commonwealth as a debtor, thereby reducing the available funding for the Commonwealth program in 1999/00.
- Higher than anticipated cash payments to private practitioners were partially offset by a one off adjustment to the estimated value of work in progress.

Assets & Liabilities

Current Assets

Cash \$5.054m or 58.6% under budget due to:

- Cash payments to assigned legal practitioners exceeded budget expectation due to the effects of the Court Delay Reduction Program which

accelerated payments for assigned matters heard in the District Court.

- Internal funding of part of the capital cost of technology and the upgrading of office security.
- The budget did not dissect funds into cash and investments. Refer to Notes 1(j), 1(o), 3(b), 11, 12, 24 & 29.

Investments \$1.000m or 100% over budget

The Commission holds a portion of its funds as investments at call with the New South Wales Treasury Corporation to maximise interest returns. The budget did not dissect funds into cash and investments. Refer to Notes 1(j), 1(o), 3(b), 11, 12, 24 & 29.

Receivables \$1.676m or 30.1% under budget

The budget amount included \$3.951m in prepaid superannuation, which has now been reclassified as non-current. This movement was offset by an increase in receivables not included in the budget.

Non-Current Assets

Plant & Equipment \$1.046m or 18.1% over budget

The increased capital expenditure associated with the LA Office Program and the upgrading of office security exceeded budget expectations.

Receivables \$9.362m or 102.3% over budget

Non-current receivables were affected by the reclassification of the prepaid superannuation of \$3.951m referred to above and the impact of an additional non-cash superannuation adjustment of \$8.376m. Offsetting these increases was a reduction of \$2.069m in the non-current estimated receivables on legal matters in progress. Refer Notes 1(e)(iii), 3(d), 7(i) & 13.

Current Liabilities

Accounts Payable \$5.322m or 42.5% under budget

Accounts payable decreased following a significant reduction in the value of the work in progress for legal payments due to the private profession.

Employee Entitlements \$1.699m or 76.6% over budget

Represents an increase in the provision for leave entitlements for Commission employees and payroll tax on entitlements for the first time.

Non-Current Liabilities

Employee Entitlements \$1.555m or 32.4% over budget

Reflects an increase in the value of long service leave for the Commission's employees, and payroll tax on entitlements for the first time.

Equity

Accumulated Funds \$8.580m or 109.9% over budget

Accumulated Funds reflects an adjustment of \$8.376m following a change in the actuarial assessment of the Commission's liability for employee superannuation funds. The June 2000 assessment indicated the SAS Trustee Corporation had increased its indebtedness to the Commission as a result of the Prepaid Superannuation Contributions reserve account being over funded. This was unknown at the time of budget preparation.

Cash Flows

Cash Flows from Operating Activities

Employee Related Expenses \$2.289m or 6.0% under budget

The Commission was required to carefully manage the Commonwealth program in order to contain expenditure within available funds. This was partially achieved through a reduction in recruitment activity.

Grants & Subsidies \$0.958m or 10.1% over budget

Comprises a variation in funding available for Community Legal Centres.

Other Payments \$8.522m or 24.6% over budget

The variation comprises:

- Other Operating Expenses were \$0.868m or 11.9% over budget due mainly to increased outgoings associated with the Commission's head office accommodation, increased telecommunication costs and bad debts written off.
- Payments to Private Practitioners were \$7.654m or 27.9% over budget due to:-
 - The quantum of pre 1 July 1997 matters in the General Law exceeding budget expectations. This has been partially offset in the Operating Statement by a reduction in the value of the work in progress.
 - A one off payment of \$0.250 to the Public Defender's Office was not included in budget estimates.

Sale of Goods & Services \$1.033m or 2.8% over budget

An increase in contribution income (cash) arose as a consequence of a major file review undertaken in the Family and General law programs. Many matters were finalised during the review which allowed increased settlement funds to be received.

Interest Received \$0.469m or 90.2% over budget

The budget expectations were exceeded due to increased interest rates.

Other \$1.069m or 6.2% over budget

Reflects additional funding received from the Commonwealth for Community Legal Centres.

Cash Flows From Government

\$0.275m or 0.7% over budget

The variation consists:

Recurrent Funding	
Partial supplementation for the 2% Award Increase	\$0.245m
Adjustment for Payroll Tax	(\$0.042m)
Sub Total	\$0.203m

Capital Funding

Partial supplementation for GST Implementation expenses	\$0.072m
Total	\$0.275m

Cash Flows from Investing Activities

\$0.863m or 42.9% over budget

Was mainly caused by increased capital expenditure associated with an upgrade of the Commission's core business software system to facilitate GST and Y2K compliance.

Cash Flows from Financing Activities

During the year, the Commission repaid the balance of a Treasury advance (\$2.450m) initially made available to finance the fit-out of the current head office premises at 323 Castlereagh Street Sydney. Refer to Notes 17 & 29(f).

24 CASH AND CASH EQUIVALENTS

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

	2000 \$'000	1999 \$'000
Cash on hand	9	9
Cash at Bank	3,565	3,114
Investments on call	1,000	1,200
Total	4,574	4,323

Refer to Notes 1(j), 1(o), 3(b), 11, 12, 23 & 29.

25 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 Operating Statement:

Net cash used on operating activities	(5,576)	1,296
Depreciation	1,703	1,787
Increase in provision for doubtful debts	(87)	(167)
Increase in provisions	1,706	1,397
(Increase) in prepayments and other assets	(766)	(4,697)
(Decrease) in creditors	(6,275)	(4,199)
Net loss on sale of plant and equipment	17	80
Net cash flows from Government	38,024	30,321
Net cost of services	28,746	25,818

26 TRUST FUNDS

The Commission administers, but does not control the funds in the following trusts:

Legal Aid Commission General Trust Fund*	149	513
Legal Aid Commission Trust Account**	239	861
Cash balance at 30 June 2000	388	1,374

The Commission does not control or use these monies for the achievement of its objectives.

As a consequence, these monies are not brought to account in the financial reports but are included here for information purposes only. Refer to Note 1(k).

* Legal 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.

** Legal 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.

27 AUDIT REMUNERATION

	2000 \$'000	1999 \$'000
Audit fees comprise		
Deloitte Touche Tohmatsu	19	26
Audit Office of NSW	81	75
McKenzie & Sutton	2	2
Total	102	103

Refer to Note 2(b).

28 CONSULTANTS

Amounts paid to consultants during the year totalled \$91,261 (1998/99 \$12,887):

	Number	2000 \$'000	Number	1999 \$'000
(a) Consultancies costing more than \$30,000	1	36		0
(b) Consultancies costing less than \$30,000 individually	7	55	6	13
Total	8	91	6	13

Refer to Note 2(b)

29 FINANCIAL INSTRUMENTS

(a) Cash

Cash comprises cash on hand and Commission funds which are held in advance accounts and the general operating account and not invested in TCorp. Refer to Notes 1(j), 1(o), 3(b), 11, 12, 23 & 24.

(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). Interest is earned on overdue trade debtors' account under section 71A of the Legal Aid Commission Act 1979 as amended. The carrying amount approximates net fair value.

(c) Authority Deposits

The Commission has placed funds on deposit with TCorp. 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.

	2000 Carrying Amount \$'000	2000 Net Fair Value \$'000	1999 Carrying Amount \$'000	1999 Net Fair Value \$'000
At call	1,000	1,000	1,200	1,200
Less than 1 year	0	0	0	0
1-5 yrs	0	0	0	0
Greater than 5 yrs	0	0	0	0
Total	1,000	1,000	1,200	1,200

The deposits at balance date were earning an average interest rate of 5.18% (1999 4.78%), whilst over the year, the weighted average interest rate was 4.33% (1999 4.85%) on a weighted average balance of \$15.213m (1999 \$9.492m). Refer to Notes 1(j), 3(b), 12, 23 & 24.

(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 paid no penalty interest for late payment.

(f) Treasury Advances

The Commission received no Treasury advances in 1999/00. Advances of \$1.5m in 1994/95 and \$2.0m in 1995/96 made available by the Treasury of NSW to finance the fitout of the Commission's head office were to be repaid at the rate of \$0.350 million per annum over 10 years commencing 31 May 1996. No interest is payable on these advances. The Treasury advance was repaid in full in 1999/00. Refer to Notes 17 & 23. The Commission was previously committed to the repayment of the Treasury Advances in the following manner:

	2000 \$'000	1999 \$'000
Less than one year	0	2,450
One to five years	0	0
Greater than five years	0	0
Total	0	2,450

30 EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No events have occurred subsequent to balance sheet date which will materially affect the published results.

END OF AUDITED STATEMENTS

OTHER INFORMATION

1 PAYMENT PERFORMANCE

(a) Legal Creditor (Private Practitioners) amounts decreased by \$1.082m (46.5%) (1998/99 decrease of \$2.046m (47%))

Creditor amounts for legal services rendered by practitioners were decreased by \$1.082m, to \$1.247m (1998/99 \$2.329m). 88.2% of invoices were processed within 29 days during 1999/00 compared to 75% in 1998/99.

Period	1999/00		1998/99	
	Invoices	%	Invoices	%
Less than 15 days	35,922	64.1	29,377	42
15-29 days	13,470	24.1	23,645	33
	49,392	88.2	53,022	75
Over 30 days	6,594	11.9	17,804	25

The Commission was not required to pay penalty interest on any invoices which were processed outside the payment terms.

(b) Ageing of Unpaid Creditor (Private Practitioners) Amounts

The table at the top of page 55 indicates 39.8% (1998/99 51.6%) of invoices on hand are aged within 60 days of invoice date. Legal creditors aged over 120 days have decreased by \$0.098m (13.1%) (1998/99 decrease of \$0.414m (35%)) over the previous period.

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

- The account is not sufficiently detailed and further information has to be obtained from the private practitioner.
- There is a dispute over whether the work billed for was actually authorised under the terms of the grant of aid.
- The account has been prepared using an inappropriate scale of fees and has to be amended by the Commission.
- 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.
- 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.
- 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 general law practice.

Legal creditors at 30 June 2000 and 1999 were aged as follows:

0 – 60 days		61 – 90 days		91 – 120 days		Over 120 days		Total	
1999/00	1998/99	1999/00	1998/99	1999/00	1998/99	1999/00	1998/99	1999/00	1998/99
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
510	1,101	40	150	82	137	649	747	1,281	2,135
39.8%	51.6%	3.1%	7%	6.4%	6.4%	50.7%	35%	100%	100%

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.

Legal Authority

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 new 4-year agreement with the Commonwealth Government is expected to be signed early in the 2000/01 financial year. The new agreement, which takes effect from 1 July 2000, provides annual funding as follows:

Year	2000/01	2001/02	2002/03	2003/04	Total
\$'000	33.719	36.337	38.956	41.574	150.586

Refer to Note 3(a).

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 Purposes Fund for state based matters.

Refer to Note 3(c).

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

Public Benevolent Institution Status

The Commission is a Public Benevolent Institution (PBI). Gifts to the Commission of monies or property with a value of \$2 or more may be claimed by a 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 liability with the NSW Treasury Managed Fund. The 1999/00 premiums for workers compensation insurance increased by 18% to \$195,563 (1998/99 5.5% to \$166,354), whilst the premium for motor vehicles

decreased by 15.6% to \$26,530 (1998/99 18.2% to \$31,425). The premiums were based on a mixture of claims experience benchmarks for similar organisations and a premium incentive system.

Worker's Compensation

The total cost of claims incurred for 1999/00 was \$163,026 (1998/99 \$51,159), an increase of 118.7% over 1998/99. The number of claims increased from 21 in 1998/99 to 28 in 1999/00. There were 2 stress related claims amounting to \$23,749 or 14.6% of the value of workers compensation claims incurred in 1999/00 (7 claims amounting to \$13,099 or 25.6% of the value of claims incurred in 1998/99). There were 15 Fall/Slip, Body Stress related claims amounting to \$120,692 in 1999/00 (nil claims in 1998/99)

The number of full time equivalent staff (FTE) (on average) for the year was 594, an increase of 4 from 590 in 1998/99. This equates to an average claim cost of \$275 (\$87 in 1998/99).

Motor Vehicle Claims

The number of claims increased by 8 to 13 in 1999/00 (a decrease of 2 to 5 in 1998/99) which incurred a cost of \$15,382 (\$9,927 in 1998/99). The number of vehicles in the Commission fleet decreased by 1 to 36 in 1999/00 (increase of 2 to 37 in 1998/99) giving an average claim cost per vehicle of \$427 (\$268 in 1998/99).

Investment Performance

The Commission is authorised under section 65 of The Legal Aid Commission Act 1979 to invest funds which are not immediately required. The avenues of investment are restricted to any securities approved by the Treasurer on the recommendation of the Minister. During 1999/00 the Commission invested its available funds in the Treasury Corporation's 11am call account. The average yield for this account was 5.2% (1998/99 is 4.8%). The Commission provides for its daily expenditure needs via an on call account which is domiciled with the Colonial State Bank. The average yield obtained from this account was 4.6% (1998/99 4.3%). Income of \$0.871m was derived from the investment of Commission funds during 1999/00 compared to \$0.625 million in 1998/99. The variation is due to higher interest rates.

2000/01 Budget Estimates	\$'000
Total Income	100,871
Total Expenditure	99,781
Operating (Deficit)/Surplus	1,090
To be applied as Follows:	
-Contingency Reserve	1,090
Closing Balance	0