

Legal Services Commission

Financial report
for the year ended
30 June 2018



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

**To the Chairperson
Legal Services Commission**

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 25 of the *Legal Services Commission Act 1977*, I have audited the financial report of the Legal Services Commission for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Legal Services Commission as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairperson, the Director and the Manager, Finance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Legal Services Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

Responsibilities of the Director and members of the Commission for the financial report

The Director is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* other legislative and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Director and members of the Commission about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

28 September 2018

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
Expenses			
Employee benefits expenses	3	19 521	18 550
Private Practitioner services		18 015	19 314
Supplies and services	5	6 883	6 417
Depreciation and amortisation expense	6	547	710
Other expenses	7	<u>164</u>	<u>2</u>
Total expenses		<u>45 130</u>	<u>44 993</u>
Income			
Commonwealth revenues	8	16 999	16 250
<i>Legal Practitioners Act</i> revenues	9	2 920	2 579
Statutory charges		927	1 042
Interest revenues	10	368	387
Costs recovered and contributions	11	273	297
Other income	12	<u>1 828</u>	<u>1 937</u>
Total income		<u>23 315</u>	<u>22 492</u>
Net cost of providing services		<u>21 815</u>	<u>22 501</u>
Revenues from SA Government			
Revenue from SA Government	13	<u>44 799</u>	<u>22 707</u>
Net result		<u>22 984</u>	<u>206</u>
Total comprehensive result		<u>22 984</u>	<u>206</u>

The net result and total comprehensive result are attributable to the SA Government as owner.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	14	35 158	12 333
Receivables	15	<u>2 066</u>	<u>2 189</u>
Total current assets		<u>37 224</u>	<u>14 522</u>
Non-current assets			
Property, plant and equipment	17	3 729	4 172
Intangible assets	18	524	464
Statutory charge debtors	19	<u>7 511</u>	<u>7 215</u>
Total non-current assets		<u>11 764</u>	<u>11 851</u>
Total assets		<u>48 988</u>	<u>26 373</u>
Current liabilities			
Legal payables		807	1 336
Payables	20	442	449
Employee benefits	21	1 833	1 776
Other current liabilities	22	<u>233</u>	<u>233</u>
Total current liabilities		<u>3 315</u>	<u>3 794</u>
Non-current liabilities			
Payables	20	271	251
Employee benefits	21	3 980	3 657
Other non-current liabilities	22	<u>2 100</u>	<u>2 333</u>
Total non-current liabilities		<u>6 351</u>	<u>6 241</u>
Total liabilities		<u>9 666</u>	<u>10 035</u>
Net assets		<u>39 322</u>	<u>16 338</u>
Equity			
Revaluation surplus		49	49
Retained earnings		<u>39 273</u>	<u>16 289</u>
Total equity		<u>39 322</u>	<u>16 338</u>

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 23

Contingent assets and liabilities 24

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	Revaluation surplus	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2016	49	16 083	16 132
Net result 2016-17	-	206	206
Total comprehensive result for 2016-17	-	206	206
Balance at 30 June 2017	49	16 289	16 338
Net result for 2017-18	-	22 984	22 984
Total comprehensive result for 2017-18	-	22 984	22 984
Balance at 30 June 2018	49	39 273	39 322

All changes in equity are attributable to the SA Government as owner.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 Inflows (Outflow) \$'000	2017 Inflows (Outflows) \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(19 141)	(18 142)
Supplies and services		(6 975)	(7 517)
Private Practitioner services		<u>(20 453)</u>	<u>(20 961)</u>
Cash used in operations		<u>(46 569)</u>	<u>(46 620)</u>
Cash inflows			
Receipts from Commonwealth		16 744	16 250
<i>Legal Practitioners Act</i> receipts		2 884	2 642
Costs recovered and contributions		296	326
Statutory charge receipts		590	537
Interest received		364	391
GST recovered from the ATO		2 365	2 357
Other receipts		<u>1 640</u>	<u>1 711</u>
Cash generated by operations		<u>24 883</u>	<u>24 214</u>
Cash flows from SA Government			
Receipts from SA Government		<u>44 675</u>	<u>23 029</u>
Cash generated from SA Government		<u>44 675</u>	<u>23 029</u>
Net cash provided by operating activities		<u>22 989</u>	<u>623</u>
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant & equipment and intangible assets		<u>(164)</u>	<u>(638)</u>
Net cash used in investing activities		<u>(164)</u>	<u>(638)</u>
Net increase/(decrease) in cash and cash equivalents		22 825	(15)
Cash and cash equivalents at the beginning of the period		<u>12 333</u>	<u>12 348</u>
Cash and cash equivalents at the end of the period	14	<u>35 158</u>	<u>12 333</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Financial Statements
2. Objectives and Activities
3. Employee Benefits
4. Remuneration of Commission Members
5. Supplies and Services
6. Depreciation and Amortisation Expense
7. Other Expenses
8. Commonwealth Revenues
9. *Legal Practitioners Act* Revenues
10. Interest Revenues
11. Costs Recovered and Contributions
12. Other Income
13. Revenues from SA Government
14. Cash and Cash Equivalents
15. Receivables
16. Non-Current Assets
17. Property, Plant and Equipment
18. Intangible Assets
19. Statutory Charge Debtors
20. Payables
21. Employee Benefits - Liability
22. Other Liabilities
23. Unrecognised Contractual Commitments
24. Contingent Assets and Liabilities
25. Transactions with Key Management Personnel and Other Related Parties
26. Financial Instruments/Financial Risk Management

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF FINANCIAL STATEMENTS

1.1 REPORTING ENTITY

The Legal Services Commission of South Australia (the Commission) is a body corporate. It is capable of acquiring or incurring any rights or liabilities that may properly attach to a body corporate. It has the powers, functions and duties prescribed or imposed upon it by or under the *Legal Services Commission Act 1977* (the Act).

The Commission was established under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6 (3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

The financial statements and accompanying notes include all activities of the Commission.

The Commission does not control any other entities and has no interests in unconsolidated structured entities.

1.2 STATEMENT OF COMPLIANCE

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

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

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity. Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Commission for the reporting period ended 30 June 2018.

1.3 BASIS OF PREPARATION

The financial statements have been prepared based on a 12 month period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

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

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Commission has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

Significant accounting policies are set out in the notes.

1.4 TAXATION

The Commission is not subject to income tax. The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

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

- when the GST incurred on purchases of goods or services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

2. OBJECTIVES

The Legal Services Commission of South Australia (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide or arrange for the provision of legal assistance in accordance with the Act. The functions and principles of the Commission are set out in sections 10 and 11 of the Act.

3. EMPLOYEE BENEFITS

3.1 EMPLOYEE BENEFITS EXPENSES

	2018 \$'000	2017 \$'000
Salaries and wages	15 502	14 756
Long service leave	496	330
Annual leave	1 208	1 189
Skills and experience retention leave	89	88
Employment on-costs - superannuation *	1 679	1 613
Employment on-costs - other	414	388
Commission members' fees	43	58
Workers compensation	90	128
Total employee benefits expenses	19 521	18 550

* The superannuation employment on-costs charge represents the Commission's contributions to superannuation plans in respect of current services of current employees.

3.2 KEY MANAGEMENT PERSONNEL

Key management personnel of the Commission in 2018 include the Director, four Commissioners, the Chief Operating Officer and the Legal Practice Manager. In 2017, it included the Director, four Commissioners and eight members of the Executive Team who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel was \$800 000 in 2017-18 and \$1 841 000 in 2016-17.

3.3 REMUNERATION OF EMPLOYEES

	2018	2017
	No	No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$147 000 to \$149 000*	N/A	1
\$149 001 to \$159 000	3	1
\$159 001 to \$169 000	4	3
\$179 001 to \$189 000	1	1
\$189 001 to \$199 000	1	1
\$199 001 to \$209 000	1	-
\$209 001 to \$219 000	1	1
\$239 001 to \$249 000	1	-
\$249 001 to \$259 000	-	1
\$289 001 to \$299 000	1	2
\$299 001 to \$309 000	<u>1</u>	<u>-</u>
Total	<u>14</u>	<u>11</u>

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2016-17.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$2 773 000 (2017 - \$2 230 000).

4. REMUNERATION OF COMMISSION MEMBERS

Members of the Commission during the 2018 financial year were:

Mr Michael Abbott	Chairman
Ms Gabrielle Canny *	Ex Officio
Mr Alan Herald	
Ms Alison Lloyd Wright *	
Ms Catherine Nelson	

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

	2018	2017
\$0 - \$9 999	2	5
\$10 000 - \$19 999	2	2
\$20 000 - \$29 999	<u>1</u>	<u>1</u>
Total	<u>5</u>	<u>8</u>

Remuneration of members reflects all costs of performing Commission member duties including sitting fees, superannuation contributions, fringe benefit tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$50 000 (2017 - \$63 000) including \$4 000 (2017 - \$5 000) paid or payable to superannuation plans for Commission members.

* In accordance with the Department of Premier and Cabinet Circular No.016, Commission members who are government employees paid at executive level did not receive any remuneration for Commission duties during the financial year.

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally. Accordingly, unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

5. SUPPLIES AND SERVICES

	2018	2017
	\$'000	\$'000
Operating lease payments	2 426	2 583
Computing and communications	2 018	1 906
Accommodation	642	318
Periodicals and subscriptions	274	262
Travel	173	197
Office supplies and consumables	164	165
Interpreter fees	159	156
Practising certificates and membership	111	102
Legal fees	111	146
Relationship Australia Service fees	108	-
Consultancy fees	90	8
Audit fees	76	92
Courses and training	76	41
Northern Domestic Violence Service fees	70	70
Storage fees	69	65
Media and advertising	41	13
Other	<u>275</u>	<u>293</u>
Total supplies and services	<u>6 883</u>	<u>6 417</u>

The total supplies and services amount disclosed includes GST amounts not recoverable from the Australian Taxation Office due to the Commission not holding a tax invoice or payments relating to third party arrangements.

5.1 OPERATING LEASES

Operating lease payments (less incentives) are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of benefits derived from the use of the leased assets.

5.2 CONSULTANTS

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

	2018		2017
	Number	\$'000	Number
			\$'000
Below \$10,000	3	12	2
Above \$10 000	<u>3</u>	<u>78</u>	<u>-</u>
Total paid/payable to the consultants engaged	<u>6</u>	<u>90</u>	<u>2</u>

6. DEPRECIATION AND AMORTISATION EXPENSE

	2018 \$'000	2017 \$'000
Plant and equipment	273	433
Leasehold improvements	223	226
Intangible assets	<u>51</u>	<u>51</u>
Total depreciation and amortisation	<u>547</u>	<u>710</u>

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

6.1 USEFUL LIFE

Depreciation/amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of Asset	Useful Life (years)
Plant & Equipment	
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	5-15
Intangibles	3-8

The library collections are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised as their service potential has not, in any material sense, been consumed during the reporting period.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Commission only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

6.2 REVISION OF ACCOUNTING ESTIMATES

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate, which is a change in accounting estimate. The Commission did not have any changes during the financial year.

7. OTHER EXPENSES

	2018 \$'000	2017 \$'000
Statutory charge bad debts and allowance for doubtful debts	162	(20)
Bad debts and allowance for doubtful debts	<u>2</u>	<u>22</u>
Total other expenses	<u>164</u>	<u>2</u>

8. COMMONWEALTH REVENUES

	2018 \$'000	2017 \$'000
National Partnership payment - funding	16 034	15 879
Family Advocacy and Support Service - funding	610	371
Expensive Cases - reimbursement	<u>355</u>	<u>-</u>
Total depreciation and amortisation	<u>16 999</u>	<u>16 250</u>

A National Partnership Agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2015 to 30 June 2019. Amounts from the Commonwealth are received via the Attorney-General's Department.

Contributions are recognised as an asset and income when the Commission obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

9. LEGAL PRACTITIONERS ACT REVENUES

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

	2018 \$'000	2017 \$'000
Statutory Interest account	1 138	1 008
Interest on Legal Practitioners Trust account	<u>1 782</u>	<u>1 571</u>
Total Legal Practitioners Act revenue	<u>2 920</u>	<u>2 579</u>

10. INTEREST REVENUES

	2018 \$'000	2017 \$'000
Interest - Bank SA	1	1
Interest - SAFA	<u>367</u>	<u>386</u>
Total interest revenues	<u>368</u>	<u>387</u>

11. COSTS RECOVERED AND CONTRIBUTIONS

	2018 \$'000	2017 \$'000
Costs recovered	46	70
Contributions*	<u>227</u>	<u>227</u>
Total costs recovered and contributions	<u>273</u>	<u>297</u>

* In addition, contributions of \$777 000 (2017 - \$575 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

12. OTHER INCOME

	2018 \$'000	2017 \$'000
Women's Domestic Violence	450	450
Community Legal Service Eligibility, Triage and Referral Services	320	50
Online Dispute Resolution System	240	341
Drug Court Funding	147	145
Legal Assistance Services	-	140
Return to Work SA Funding	111	110
Innovation Fund	-	73
Other income	<u>560</u>	<u>628</u>
Total other income	<u>1 828</u>	<u>1 937</u>

13. REVENUES FROM SA GOVERNMENT

In 2017-18 the State Government contributed funding of \$44 545 000 (2017 - \$21 848 000). The State Government paid \$21 960 000 to the Commission for 2018-19 funding, due to a change in the timing of the payment. This amount is deposited with SAFA.

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved Case Management Agreement with the State Government for these matters.

The State Government provided \$254 000 (2017 - \$859 000) for approved expensive cases that exceeded the Commission funding cap of \$50 000 in the case of one party being aided and \$100 000 in the case of more than one party, irrespective of the number being aided. These matters are separately funded by the State Government.

14. CASH AND CASH EQUIVALENTS

	2018 \$'000	2017 \$'000
Short-term deposits with SAFA	34 960	11 700
Cash at bank and on hand	<u>198</u>	<u>633</u>
Total cash and cash equivalents	<u>35 158</u>	<u>12 333</u>

Cash is measured at nominal amounts

14.1 SHORT-TERM DEPOSITS

Short-term deposits are held with the South Australian Government Financing Authority (SAFA) in the Cash Management Facility (CMF). The CMF is an at-call, pooled investment portfolio comprising cash and short-term money market securities. The daily earnings from the portfolio's investments are applied to the Commission's investment balances. The CMF interest rate is the Reserve Bank of Australia's (RBA) cash rate plus a margin set by the SAFA General Manager.

15. RECEIVABLES

	2018 \$'000	2017 \$'000
<i>Legal Practitioners Act</i> debtors	817	780
GST input tax recoverable	248	304
Client debtors and other debtors	655	865
Allowance for doubtful debts	(30)	(40)
Prepayments	<u>376</u>	<u>280</u>
Total Receivables	<u>2 066</u>	<u>2 189</u>

15.1 MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2018 \$'000	2017 \$'000
Carrying amount at the beginning of the period	40	40
Decrease in allowance	2	22
Amounts written off	<u>(12)</u>	<u>(22)</u>
Carrying amount at the end of the period	<u>30</u>	<u>40</u>

15.2 INTEREST RATE AND CREDIT RISK

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Commission will not be able to collect the debt.

16. NON-CURRENT ASSETS

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated in the revalued amounts of the assets.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

17. PROPERTY, PLANT AND EQUIPMENT

	2018 \$'000	2017 \$'000
Leasehold improvements at fair value	4 136	4 120
Accumulated amortisation	<u>(1 901)</u>	<u>(1 678)</u>
Total leasehold improvements	<u>2 235</u>	<u>2 442</u>
Plant and equipment at fair value	5 015	4 979
Accumulated depreciation	<u>(3 782)</u>	<u>(3 510)</u>
Total plant and equipment	<u>1 233</u>	<u>1 469</u>
Library at fair value	<u>261</u>	<u>261</u>
Total library	<u>261</u>	<u>261</u>
Total property, plant and equipment	<u>3 729</u>	<u>4 172</u>

17.1 ACQUISITION AND RECOGNITION

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value (i.e. the amount recorded by the transferor public authority immediately prior to the restructure).

All non-current tangible assets with a value equal to or in excess of \$1 000 are capitalised.

17.2 CARRYING AMOUNT OF PLANT AND EQUIPMENT

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with APFIII. The carrying value of these items are deemed to approximate fair value.

17.3 IMPAIRMENT

There were no other indications of impairment of property, plant and equipment at 30 June 2018.

17.4 RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT DURING 2017-18

	Leasehold Improvements	Plant and Equipment	Library	Property Plant & Equipment Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 442	1 469	261	4 172
Additions	16	37	-	53
Depreciation/amortisation expense	(223)	(273)	-	(496)
Carrying amount at 30 June	2 235	1 233	261	3 729

17.5 RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT DURING 2016-17

	Leasehold Improvements	Plant and Equipment	Library	Property Plant & Equipment Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 668	1 626	261	4 555
Additions	-	276	-	276
Depreciation/amortisation expense	(226)	(433)	-	(659)
Carrying amount at 30 June	2 442	1 469	261	4 172

18. INTANGIBLE ASSETS

	2018 \$'000	2017 \$'000
Work in progress	473	362
Computer software	1 557	1 557
Accumulated amortisation	(1 506)	(1 455)
Total intangible assets	524	464

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The Commission only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$1 000.

18.1 IMPAIRMENT

There were no other indications of impairment of intangible assets at 30 June 2018.

18.2 RECONCILIATION OF INTANGIBLE ASSETS DURING 2017-18

	Computer Software \$'000	WIP \$'000	Total \$'000
Carrying amount at 1 July	102	362	464
Additions	-	111	111
Depreciation/amortisation expense	(51)	-	(51)
Carrying amount at 30 June	51	473	524

18.3 RECONCILIATION OF INTANGIBLE ASSETS DURING 2016-17

	Computer Software \$'000	WIP \$'000	Total \$'000
Carrying amount at 1 July	153	-	153
Additions	-	362	362
Depreciation/amortisation expense	(51)	-	(51)
Carrying amount at 30 June	102	362	464

19. STATUTORY CHARGE DEBTORS

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

	2018 \$'000	2017 \$'000
Statutory charge debtors	7 641	7 345
Allowance for doubtful debts	<u>(130)</u>	<u>(130)</u>
Total Statutory charge debtors	<u>7 511</u>	<u>7 215</u>

19.1 MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL DEBTS

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of the period	130	301
Increase/(decrease) in the allowance	162	(20)
Amounts written off	(162)	(151)
Carrying amount at the end of the period	<u>130</u>	<u>130</u>

20. PAYABLES

	2018	2017
	\$'000	\$'000
Current		
Creditors	144	141
Accrued expenses	76	92
Employment on-costs	<u>222</u>	<u>216</u>
Total current payables	<u>442</u>	<u>449</u>
Non-current		
Employment on-costs	<u>271</u>	<u>251</u>
Total non-current payables	<u>271</u>	<u>251</u>
Total payables	<u>713</u>	<u>700</u>

Employment on-costs include payroll tax, Return to Work levies and superannuation contributions. The Commission makes contributions to both State and Commonwealth Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to these schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has changed from 2017 rate of 40% to 41% and the average factor for the calculation of employer superannuation on-cost has changed from the 2017 rate of 10.1% to 9.9%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the current financial year is immaterial.

20.1 INTEREST RATE AND CREDIT RISK

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date of the invoice is first received.

21. EMPLOYEE BENEFITS - LIABILITY

	2018	2017
	\$'000	\$'000
Current		
Accrued salaries and wages	376	308
Annual leave	1 111	1 057
Long service leave	234	275
Skills and experience retention leave	<u>112</u>	<u>136</u>
Total current employee benefits	<u>1 833</u>	<u>1 776</u>

Non-current		
Long service leave	<u>3 980</u>	<u>3 657</u>
Total non-current employee benefits	<u>3 980</u>	<u>3 657</u>
Total employee benefits	<u>5 813</u>	<u>5 433</u>

Employee benefits accrue for employees as a result of service or services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

21.1 SALARIES AND WAGES, ANNUAL LEAVE, SKILLS AND EXPERIENCE RETENTION LEAVE (SERL) AND SICK LEAVE

The liability for salary and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave (SERL) liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

21.2 LONG SERVICE LEAVE

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

An actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds remains unchanged from 2017 rate of 2.5%.

The net financial effect of the changes to actuarial assumptions in the current financial year is a increase in the long service leave liability of \$95 000 and employee benefits expense of \$95 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of demographical and financial assumptions including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The Commission estimate of expected future payments for the current portion of long service leave is based on an average over a three year period on long service leave taken.

22. OTHER LIABILITIES

	2018 \$'000	2017 \$'000
Current		
Lease incentive	<u>233</u>	<u>233</u>
Total current other liabilities	<u>233</u>	<u>233</u>
Non-current		
Lease incentive	<u>2 100</u>	<u>2 333</u>
Total non-current other liabilities	<u>2 100</u>	<u>2 333</u>
Total other liabilities	<u>2 333</u>	<u>2 566</u>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

23. UNRECOGNISED CONTRACTUAL COMMITMENTS

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

Unrecognised contractual commitments are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO the commitments and contingencies are disclosed on a gross basis.

23.1 LEGAL EXPENSE COMMITMENTS

	2018 \$'000	2017 \$'000
Legal expense commitments		
Not later than one year	<u>7 259</u>	<u>7 978</u>
Total legal expense commitments	<u>7 259</u>	<u>7 978</u>

As at 30 June 2018, the Commission has disclosed a commitment on all outstanding amounts raised since 1 January 2018 (i.e. previous six months).

When a private practitioner is allocated a case, they are issued with a commitment certificate indicating the amount the private practitioner is able to claim in relation to the case. Once the private practitioner has provided the service, they sign and submit the commitment certificate, so they can be paid. 'Legal Expense Commitments' relate to commitment certificates that have been issued by the Commission but not yet returned.

23.2 EXPENDITURE COMMITMENTS

	2018 \$'000	2017 \$'000
Expenditure commitments		
Not later than one year	65	113
Later than one year but not later than five years	226	317
Greater than five years	-	68
Total expenditure commitments	<u>291</u>	<u>498</u>

The Commission's expenditure commitments are for the Electronic Document and Record Management System (EDRMS).

23.3 OPERATING LEASE COMMITMENTS

	2018	2017
	\$'000	\$'000
Operating lease commitments		
Not later than one year	2 699	2 604
Later than one year but not later than five years	10 450	10 502
Greater than five years	<u>14 556</u>	<u>17 160</u>
Total operating lease commitments	<u>27 705</u>	<u>30 266</u>

At the reporting date the Commission held the above obligations under non-cancellable operating leases. The operating leases held by the Commission are predominantly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. Lease payments are payable one month in advance.

In 2012-13 the Commission entered into a Memorandum of Understanding with the Minister for Transport and Infrastructure to lease new city business accommodation over a fifteen year term, with the option to renew available in 2029.

24. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

Unrecognised contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO, then the commitments and contingencies are disclosed on a gross basis.

At balance date and as at the date of financial statement certification, there were no known contingent assets or liabilities.

25. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND OTHER RELATED PARTIES

Compensation of Key Management Personnel is disclosed at note 3.2.

There were no transactions with key management personnel and other related parties during the financial year.

26. FINANCIAL RISK MANAGEMENT/FINANCIAL INSTRUMENTS

26.1 FINANCIAL RISK MANAGEMENT

Risk management is managed by the Commission's Infrastructure Section and Commission risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commission's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

26.2 LIQUIDITY RISK

The Commission is funded principally from appropriations by the State and Commonwealth Governments. The Commission works with the Department of Treasury and Finance to determine the cash flows

associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. There have been no changes in risk exposure since the last reporting period.

26.3 CATEGORISATION OF FINANCIAL INSTRUMENTS

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset/financial liability note.

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- Receivables
- Financial liabilities measured at cost

Category of financial assets and financial liabilities

Category of financial asset and financial liability	Notes	2018 Carrying amount/ Fair value (\$'000)	2017 Carrying amount/ Fair value (\$'000)
Financial assets			
<u>Cash and equivalent</u>			
- Cash and cash equivalent	14	35 158	12 333
<u>Loans and receivables</u>			
- Receivables (a)(b)	15	525	586
Total financial assets		35 683	12 919
Financial liabilities			
<u>Financial liabilities at cost</u>			
- Payables (a)	20	144	141
Total financial liabilities		144	141

- a) Receivable and payable amounts disclosed above exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).
- b) Receivable amounts disclosed here exclude prepayments. Prepayments are presented in Note 15 as prepayments in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or other financial assets.

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the:

- financial statements of the Legal Services Commission of South Australia:
 - are in accordance with the accounts and records of the Legal Services Commission of South Australia; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Legal Services Commission of South Australia at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Legal Services Commission of South Australia over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Chinh Dinh-Pham
MANAGER, FINANCE

28 September 2018



Gabrielle Canny
DIRECTOR

28 September 2018



Michael Abbott
CHAIRPERSON

28 September 2018