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To the Chairperson Legal Services Commission of South Australia

Opinion

I have audited the financial report of the Legal Services Commission of South Australia for the financial year ended 30 June 2023.

In my opinion the accompanying financial report has been prepared in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987*, Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards – Simplified Reporting Requirements, including:

- a) giving a true and fair view of the financial position of the Legal Services Commission as at 30 June 2023, its financial performance and its cash flows for the year then ended, and
- b) complying with Division 60 of the Australian Charities and Not-for-profits Commission Regulation 2023.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Chairperson, Director and 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 of South Australia. 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 (including Independence Standards)* have been met.

I believe that the audit evidence I have 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 relevant Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the *Australian Charities and Not-for-profits Commission Act 2012* and the Australian Accounting Standards – Simplified Reporting Requirements, 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.

In preparing the financial report, the Director is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Director is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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

Auditor's responsibilities for the audit of the financial report

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 of South Australia for the financial year ended 30 June 2023.

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 but not for the purpose of expressing an opinion on the effectiveness of the Legal Services Commission of South Australia's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- 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 regarding, 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.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

29 September 2023



Legal Services
Commission South Australia

Legal Services Commission of South Australia

**Financial Statements
for the year ended
30 June 2023**

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 authority;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards;
 - comply with Division 60 of the Australian Charities and Not-for-profit Commission Regulations 2013; and
 - present a true and fair view of the financial position of the Commission 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 for the financial year over its financial reporting and its preparation of the financial statements have been effective.



Chinh Dinh-Pham
Manager, Finance
28 September 2023



Gabrielle Canny
Director
28 September 2023



Peter Slattery
Chairperson
28 September 2023

Legal Services Commission of South Australia

Statement of Comprehensive Income

for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
Commonwealth-sourced grants and funding	2.1	26 965	23 344
SA Government grant, subsidies and transfers	2.2	5 275	50 385
Legal Practitioners Act 1981 revenues	2.3	11 143	347
Statutory charges		2 598	1 279
Interest	2.4	518	11
Costs recovered and contributions	2.5	314	259
Other income	2.6	1 771	933
Total income		48 584	76 558
Expenses			
Employee benefits expenses	3.3	22 561	21 428
Private Practitioner services	4.4	27 126	24 335
Supplies and services	4.1	9 280	9 099
Depreciation and amortisation	4.2	1 538	1 420
Other expenses	4.3	146	557
Total expenses		60 651	56 839
Net result		(12 067)	19 719
Other Comprehensive Income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus		(49)	-
Total comprehensive result		(12 116)	19 719

The accompanying notes form part of these financial statements.

Legal Services Commission of South Australia

Statement of Financial Position

as at 30 June 2023

	Note	2023 \$'000	2022 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6.1	11 483	29 808
Receivables	6.2	6 554	1 883
Other financial assets	6.3	8 129	7 802
Total current assets		26 166	39 493
<u>Non-current assets</u>			
Property, plant and equipment	5.1	4 903	5 312
Intangible assets	5.4	824	1 190
Statutory charge debtors	6.4	11 136	9 554
Total non-current assets		16 863	16 056
Total assets		43 029	55 549
<u>Current liabilities</u>			
Legal payables		1 674	1 487
Payables	7.1	527	459
Financial liabilities	7.2	3	4
Employee benefits	3.4	1 511	1 623
Other current liabilities	7.3	233	233
Total current liabilities		3 948	3 806
<u>Non-current liabilities</u>			
Payables	7.1	155	158
Financial liabilities	7.2	1	4
Employee benefits	3.4	3 078	3 384
Other non-current liabilities	7.3	934	1 168
Total non-current liabilities		4 168	4 714
Total liabilities		8 116	8 520
Net assets		34 913	47 029
<u>Equity</u>			
Retained earnings		34 913	46 980
Asset revaluation surplus		-	49
Total equity		34 913	47 029

The accompanying notes form part of these financial statements.

Legal Services Commission of South Australia

Statement of Changes in Equity

for the year ended 30 June 2023

	Asset revaluation surplus \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2021	49	27 261	27 310
Net result for 2021-22	-	19 719	19 719
Total comprehensive result for 2021-22	-	19 719	19 719
Balance at 30 June 2022	49	46 980	47 029
Net result for 2022-23	-	(12 067)	(12 067)
Loss on revaluation of library during 2022-23	(49)	-	(49)
Total comprehensive result for 2022-23	(49)	(12 067)	(12 116)
Balance at 30 June 2023	-	34 913	34 913

The accompanying notes form part of these financial statements.

Legal Services Commission of South Australia

Statement of Cash Flows

for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
<u>Cash flows from operating activities</u>			
<i>Cash inflows</i>			
Receipts from State Government funding		5 275	50 298
Receipts from Commonwealth-sourced grants and funding		26 965	23 345
Legal Practitioners Act 1981 receipts		7 777	115
Costs recovered and contributions		342	278
Statutory charge receipts		1 298	1 255
Interest received		486	6
GST recovered from the ATO		3 362	3 181
Other receipts		405	769
Cash generated from operations		45 910	79 247
<i>Cash outflows</i>			
Employee benefits payments		(22 987)	(21 667)
Payments for supplies and services		(10 673)	(9 741)
Private Practitioner services		(29 606)	(26 212)
Cash used in operations		(63 266)	(57 620)
Net cash provided by/(used in) operating activities		(17 356)	21 627
<u>Cash flows from investing activities</u>			
<i>Cash outflows</i>			
Purchase of property, plant & equipment and intangibles		(969)	(3 253)
Net cash used in investing activities		(969)	(3 253)
Net increase in cash and cash equivalents		(18 325)	18 374
Cash and cash equivalents at the beginning of the period		29 808	11 434
Cash and cash equivalents at the end of the period	6.1	11 483	29 808

The accompanying notes form part of these financial statements.

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1. About the Legal Services Commission of South Australia

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 entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the Commission.

The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution.

1.1. Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987* and the *Australian Charities and Not-for-Profit Commission Act 2012*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards, applying simplified disclosures.

For the purposes of preparing the financial statements, the Commission is a not-for-profit entity. The financial statements are prepared based on a 12 month reporting 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.

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

- when the GST incurred on a purchase 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.

Cash flows include GST in the Statement of Cash Flows.

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.

1.2. Objectives

The objective of the Commission is 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 section 10 and 11 of the Act.

2. Income

2.1. Commonwealth-sourced grants and funding

	2023 \$'000	2022 \$'000
National Legal Assistance Partnership Agreement	17 997	17 719
Federal Circuit & Family Court Case Management funding	1 770	-
Family Advocacy and Support Service	1 135	861
Online Dispute Resolution System	1 090	-
Family Violence and Cross-Examination of Parties Scheme	974	192
Women's Domestic Violence Unit	865	848
Legally Assisted Financial Dispute Resolution - Small Property Claims	671	657
Lighthouse funding	669	-
Disability and Carer Support Program	635	1 264
Expensive Cases reimbursement	-	650
Women's Legal Assistance	461	450
Mental Health	236	230
National Legal Advisory Service for the Disability Royal Commission	157	146
Child Sexual Abuse Prosecutions	118	116
Defence Royal Commission	97	211
Workplace Sexual Harassment	90	-
Total Commonwealth-sourced grants and funding	26 965	23 344

Commonwealth-sourced grants and funding are recognised as income on receipt.

A National Legal Assistance Partnership agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2020 to 30 June 2025.

Obligations under Commonwealth-sourced grants and funding are required to be met by the State of South Australia for \$23.34m (2022: \$20.87m) of the above grants. For accounting purposes, the obligations under the funding arrangements do not sit with the Commission. The Commonwealth has provided funding to the State for legal assistance services and were originally received by the State and then paid from Department of Treasury and Finance Administered Items. Amounts from the Commonwealth are received via the Attorney-General's Department.

In addition, the Commission received \$3.62m (2022: \$2.47m) of income recognised upon receipt directly from the Commonwealth for legal assistance services.

The Commission is separately funded by the Commonwealth Government for criminal law cases that exceed \$40 000. The Commonwealth Government did not provide any funding for the financial year (2022: \$0.65m).

2.2. SA Government grants, subsidies and transfers

	2023 \$'000	2022 \$'000
SA Government grant	640	48 626
Expensive Cases - reimbursement	2 340	763
Women's Domestic Violence Court Assistance Service funding	1 210	683
VSP reimbursement from the Department of Treasury and Finance	395	-
Drug Court funding	189	163
Disability Information and Legal Assistance	150	150
Operation Ironside	351	-
Total SA Government grants, subsidies and transfers	5 275	50 385

SA Government grants, subsidies and transfers are recognised as income on receipt.

The State Government contributed funding of \$24.64m for 2022-23. Of this amount, \$24.00m was received in the prior financial year (2022: \$48.63m).

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 \$2.34m (2022: \$0.76m) for approved 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.

2.3. Legal Practitioners Act 1981 revenues

In accordance with section 56 of the *Legal Practitioners Act 1981*, the Commission is entitled to revenue from funds administered by the Law Society of South Australia.

	2023 \$'000	2022 \$'000
Statutory Interest account	5 668	147
Interest on Legal Practitioners Trust Account	5 475	200
Total section 56 Legal Practitioners Act 1981 Revenue	11 143	347

2.4. Interest revenues

	2023 \$'000	2022 \$'000
Short-term deposits with SAFA	518	11
Total interest revenues	518	11

2.5. Costs recovered and contributions

	2023 \$'000	2022 \$'000
Costs recovered	85	137
Contributions *	229	122
Total costs recovered and contributions	314	259

* In addition, contributions of \$0.93m (2022: \$1.00m) in relation to referred cases were paid or are payable directly to private practitioners by clients.

2.6. Other income

	2023 \$'000	2022 \$'000
Unrealised investment gain	328	-
Migrant protection visa to permanent residency support funding	448	-
Safe Families funding	285	253
Specialist Legal Services for Afghanistan Evacuees	103	155
Return to Work SA funding	127	120
Other	480	405
Total other income	1 771	933

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the Commission in 2022-23 include the Director, Commissioners, Chief Operating Officer, Chief Legal Officer, Access Services Manager, Communications & Engagement Directorate Manager and Human Resources Manager.

Total compensation for key management personnel was \$1.58m in 2022-23 and \$1.31m in 2021-22.

Transactions with key management personnel and other related parties

In the ordinary course of business the Commission enters into transactions with legal firms, some of which may be 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. These transactions amounted to \$0.09m in 2022-23 and \$0.13m in 2021-22. 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.

3.2. Commission members

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners.

Members of the Commission during the 2023 financial year were:

Peter Slattery	Chair
Gabrielle Canny *	Ex Officio
Stephanie Halliday *	
Debra Contala	
Catherine Nelson (retired 30 November 2022)	
Jane Abbey (appointed 1 December 2022)	

*In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Remuneration of Commissioners

	2023 No.	2022 No.
The number of members whose remuneration received or receivable falls within the following bands:		
\$0 - \$19 999	5	7
\$20 000 - \$39 999	1	-
Total number of members	6	7

The total remuneration received or receivable by members was \$48 000 in 2023 (\$48 000 in 2022). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

3.3. Employee benefits expenses

	2023 \$'000	2022 \$'000
Salaries and wages	17 737	17 656
Targeted voluntary separation packages	395	-
Long service leave	385	(34)
Annual leave	1 700	1 633
Skills and experience retention leave	99	105
Employment on-costs - superannuation	2 069	1 926
Commission members' fees	43	43
Workers' compensation	133	99
Total employee benefits expenses	22 561	21 428

Employment on-costs - superannuation

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

Employee remuneration

	2023 No.	2022 No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$157 001 to \$160 000 *	2	-
\$160 001 to \$180 000	8	5
\$180 001 to \$200 000	2	2
\$200 001 to \$220 000	4	2
\$240 001 to \$260 000	-	1
\$260 001 to \$280 000	1	-
\$280 001 to \$300 000	2	1
\$320 001 to \$340 000	-	1
\$340 001 to \$360 000	1	-
Total	20	12

* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2021-22.

The total remuneration received by these employees for the year was \$4.11m (2022: \$2.52m).

The table includes all employees whose normal remuneration was 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 and any fringe benefits tax paid or payable in respect of those benefits as well as any termination benefits for employees who have left the Commission.

Targeted voluntary separation packages (TVSPs)

The number of employees who received a TVSP during the year was 4 (2022: nil).

	2023 \$'000	2022 \$'000
Amount paid to separated employees:		
Targeted voluntary separation packages	395	-
Leave paid to separated employees	154	-
Recovery from the Department of Treasury and Finance	(395)	-
Net cost to the Commission	154	-

3.4. Employee benefits liability

	2023 \$'000	2022 \$'000
Current		
Annual leave	1 162	1 278
Long service leave	233	229
Skills and experience retention leave	116	116
Total current employee benefits	1 511	1 623
Non-current		
Long service leave	3 078	3 384
Total non-current employee benefits	3 078	3 384
Total employee benefits	4 589	5 007

Employee benefits accrue as a result of 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.

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 the reporting date.

The annual leave liability and the 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.

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. Details about the measurement of long service leave liability is provided at note 10.1.

4. Expenses

4.1. Supplies and services

	2023 \$'000	2022 \$'000
Accommodation	3 367	3 279
Information technology expenses	3 297	3 203
Telecommunications	356	475
Periodicals and subscriptions	310	256
Legal fees and disbursements	294	226
Office supplies and consumables	184	149
Interpreter fees	178	146
Practising certificates and membership	156	147
Travel	138	83
Internal audit and governance	105	74
Audit fees - Auditor-General's Department	81	79
Consultancy fees	52	38
External service providers	-	133
Client surveys fees	-	61
Other	762	750
Total supplies and services	9 280	9 099

Accommodation

The Commission's accommodation is provided by the Department for Infrastructure and Transport under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. These arrangements do not meet the definition of lease set out in AASB16. Information about accommodation incentives relating this arrangement is shown at note 7.3.

Consultants

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

	No.	2023 \$'000	No.	2022 \$'000
Below \$10 000	12	40	3	14
\$10 000 or above	1	12	1	24
Total	13	52	4	38

4.2. Depreciation and amortisation

	2023 \$'000	2022 \$'000
Plant and equipment	266	290
Accommodation and leasehold improvements	902	719
Right-of-use vehicles	4	7
Intangible assets	366	404
Total depreciation and amortisation	1 538	1 420

All non-current assets with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

Class of asset	Useful life (years)
Accommodation and leasehold improvements	5-15
Right-of-use vehicles	Lease term
Right-of-use accommodation	Lease term
Plant and equipment	
Computers	3-5
Office equipment	5-13
Furniture and fittings	5-13
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.

Review 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 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.

4.3. Other expenses

	2023	2022
	\$'000	\$'000
Statutory charge bad debts and impairment loss on receivables	63	39
Bad debts	15	12
Loss on revaluation of assets	68	-
Loss on Funds SA investment	-	506
Total other expenses	146	557

4.4. Private Practitioners services

	2023	2022
	\$'000	\$'000
Private Practitioners services	27 126	24 335
Total Private Practitioners services	27 126	24 335

5. Non-financial assets

5.1. Property, plant and equipment

Property, plant and equipment comprises tangible assets owned and right-of-use (leased) assets. The assets presented below do not meet the definition of investment property.

	2023 \$'000	2022 \$'000
<u>Accommodation and leasehold improvements</u>		
Accommodation and leasehold improvements	7 075	6 615
Accumulated depreciation	(3 594)	(2 692)
Total accommodation and leasehold improvements	3 481	3 923
<u>Plant and equipment</u>		
Plant and equipment	3 793	3 702
Accumulated depreciation	(2 866)	(2 600)
Total plant and equipment	927	1 102
<u>Right-of-use vehicles</u>		
Right-of-use vehicles	11	11
Accumulated depreciation	(7)	(3)
Total right-of use vehicles	4	8
<u>Library</u>		
Library	144	261
Total library	144	261
<u>Work in progress</u>		
Work in progress	347	18
Total work in progress	347	18
Total property, plant and equipment	4 903	5 312

5.2. Property, plant and equipment owned by the Commission

Property, plant and equipment owned by the Commission with a value equal to or in excess of \$5 000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the Commission is recorded at fair value. Details about the Commission's approach to fair value are set out in note 10.2.

Impairment

Property, plant and equipment owned by the Commission have not been assessed for impairment as they are non-cash generating assets that are specialised in nature and held for continual use of their service capacity.

Reconciliation 2022-23

	Accommodation and Leasehold improvements	Plant and equipment	Right-of-use vehicles	Library	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	3 923	1 102	8	261	18	5 312
Acquisitions	-	22	-	-	858	880
Depreciation	(902)	(266)	(4)	-	-	(1 172)
Transfer between asset classes	460	69	-	-	(529)	-
Revaluation	-	-	-	(117)	-	(117)
Carrying amount at the end of the period	3 481	927	4	144	347	4 903

5.3. Property, plant and equipment leased by the Commission

Right-of-use assets for property, plant and equipment leased by the Commission as lessee are measured at cost.

Short-term leases of 12 months or less, and low-value leases where the underlying asset value is less than \$15 000, are not recognised as right-of-use assets. The associated lease payments are recognised as an expense and are disclosed in note 4.1.

The Commission has a limited number of leases:

- Two motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No variable lease payments are provided for in the lease agreements and no option exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 4.

Impairment

Property, plant and equipment leased by the Commission has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

5.4. Intangible assets

	2023 \$'000	2022 \$'000
Computer software		
Computer software	4 079	4 079
Accumulated amortisation	(3 255)	(2 889)
Total computer software	824	1 190

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

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 \$5 000.

Reconciliation 2022-23

	Computer software \$'000	Total \$'000
Carrying amount at the beginning of the period	1 190	1 190
Amortisation	(366)	(366)
Carrying amount at the end of the period	824	824

6. Financial assets

6.1. Cash and cash equivalents

	2023 \$'000	2022 \$'000
Short-term deposits with SAFA	9 521	27 045
Cash on hand	1 962	2 763
Total cash and cash equivalents	11 483	29 808

6.2. Receivables

	2023 \$'000	2022 \$'000
<u>Current</u>		
<u>Trade receivables</u>		
From government entities	543	204
From non-government entities	12	11
Client debtors	170	124
Impairment loss on receivables	(20)	(20)
Total trade receivables	705	319
<u>Accrued revenue</u>		
Accrued interest	37	5
Legal Practitioners Act 1981 debtors	3 616	250
Grant revenue receivable from government entities	884	87
Total accrued revenue	4 537	342
<u>Statutory receivables</u>		
GST input tax recoverable	548	634
Total statutory receivables	548	634
<u>Prepayments</u>		
Trade prepayments	764	588
Total prepayments	764	588
Total current receivables	6 554	1 883

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Statutory receivables do not arise from contracts with customers. They are recognised and measured similarly to contractual receivables (except impairment) but are not classified as financial instruments for disclosure purposes.

The net amount of GST recoverable from the ATO is included as part of receivables.

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

6.3. Other financial assets

	2023 \$'000	2022 \$'000
Current		
Investment with Funds SA at fair value	8 129	7 802
Total current investment	8 129	7 802

For further information on risk management refer to note 10.3.

6.4. Statutory charge debtors

	2023 \$'000	2022 \$'000
Statutory charge debtors	11 266	9 704
Impairment loss on Statutory charge receivables	(130)	(150)
Total statutory charge debtors	11 136	9 554

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.

7. Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1. Payables

	2023 \$'000	2022 \$'000
Current		
Trade payables	285	214
Accrued expenses	81	79
Statutory payables		
Employment on-costs	161	166
Total statutory payables	161	166
Total current payables	527	459
Non-current		
Statutory payables		
Employment on-costs	155	158
Total non-current payables	155	158
Total payables	682	617

Payables and accruals are raised for all amounts owing but unpaid. Trade payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

Statutory payables do not arise from contracts.

The net amount of GST recoverable from the ATO is included as part of receivables. However, if a net GST payable arises then this amount would be disclosed in this Payables note.

Employment on-costs

Employment on-costs include Return To WorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

These on-costs primarily relate to the balance of leave owing to employees. Estimates as to the proportion of long service leave estimated to be taken as leave, rather than paid on termination, affects whether certain on-costs are recognised as a consequence of long service leave liabilities.

7.2. Financial liabilities

		2023 \$'000	2022 \$'000
Current			
Lease liabilities	5.3	3	4
Total current financial liabilities		3	4
Non-current			
Lease liabilities	5.3	1	4
Total non-current financial liabilities		1	4
Total financial liabilities		4	8

The Commission measures financial liabilities at amortised cost. In prior years, The Commission held leases for Regional Legal aid offices. These leases are no longer held by the Commission. All accommodation lease arrangements are held by the Department for Infrastructure and Transport. Lease liabilities relate only to motor vehicle leases. Expenditure related to these leases is recognised in Note 4.1.

7.3. Other liabilities

		2023 \$'000	2022 \$'000
Current			
Accommodation incentive		233	233
Total current other liabilities		233	233
Non-current			
Accommodation incentive		934	1 168
Total non-current other liabilities		934	1 168
Total other liabilities		1 167	1 401

Accommodation incentive liabilities relate to arrangements with the Department for Infrastructure and Transport (DIT) for office accommodation. These arrangements do not comprise leases and the accommodation incentives do not comprise financial liabilities. DIT has provided a range of fit-out free of charge. The benefit of this incentive is spread over the accommodation term so that each year reported accommodation expenses reflect the economic substance of the office accommodation arrangements and related benefits provided.

8. Other disclosures

8.1. Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another. Relevant amounts are removed/transferred to retained earnings when an asset is derecognised.

9. Outlook

9.1. Unrecognised commitments

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

Legal expense commitments

	2023 \$'000	2022 \$'000
Within one year	22 976	22 779
Total expenditure commitments	22 976	22 779

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.

Expenditure commitments

	2023 \$'000	2022 \$'000
Within one year	3 851	3 715
Later than one year but not longer than five years	13 238	13 899
Later than five years	262	3 464
Total expenditure commitments	17 351	21 078
Representing:		
Accommodation	16 222	19 196
Electronic Document and Record Management System (EDRMS)	1 124	1 875
ROU vehicles	5	7
Total expenditure commitments	17 351	21 078

The Commission's expenditure commitments are for agreements for:

- Memoranda of Administrative Arrangements with the Department for Infrastructure and Transport for accommodation.
- the Electronic Document and Record Management System (EDRMS).

9.2. 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.

The Commission is not aware of any contingent assets or contingent liabilities.

9.3. Events after the reporting period

At balance date and as at the date of financial statement certification, there were no known events after the reporting period.

10. Measurement and risk

10.1. Long service leave liability - measurement

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

The 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 has increased from 2022 (3.50%) to 2023 (4.00%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance increased the salary inflation rate to 3.5% for long service leave liability in 2023 (2022: 2.5%).

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$0.10m and employee benefits expense of \$0.10m. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

The Commission's 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.

10.2. Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition.

Revaluation

Property, plant and equipment, other than right-of-use assets, are subsequently measured at fair value after allowing for accumulated depreciation.

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a regular cycle. 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.

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

Revaluation of the library collection was performed by Liquid Pacific Asset Consultants on 1 July 2022. The independent valuer arrived at fair value based on the written down replacement cost of the collections.

Revaluation of leasehold improvements and fixtures and fittings were performed by Liquid Pacific Holdings Pty Ltd during 2019-20 financial year. The independent valuer arrived at fairvalue based on the actual cost of the assets.

Plant and equipment

All items of plant and equipment that had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life of less than three years have not been revalued. The carrying value of these items are deemed to approximate fair value.

10.3. Financial instruments

Financial risk management

Risk management is managed by the Commission's corporate services section. Commission risk management policies are in accordance with the *SA Government Risk Management Guide* 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.

Impairment of financial assets

Loss allowances for statutory charge and client debtors are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Commission uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, client debtors are grouped based on the days past due. When estimating expected credit loss, the Commission considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Commission's historical experience and informed credit assessment, including forward-looking information.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a statutory charge and client debtors progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss. These rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Commission's view of the forecast economic conditions over the expected life of the statutory charge and client debtors.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

The allowance was recognised when there was objective evidence that a client debtor was impaired. The allowance for impairment is recognised in other expenses for specific client debtors and debtors assessed on a collective basis for which such evidence existed.

Statutory charge debtors are written off or waived when there is a shortfall of sale proceeds from real estate sold on behalf of the clients. In addition, a decision may be made by the Commission to waive the debt based on the client's negative equity or through a court order.

The Commission has placed its investments in a portfolio managed by Funds SA. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Commission values these investments at current market value.

The Commission considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

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.

Classification of Financial Instruments

Category of financial assets and financial liabilities	Note	2023 Carrying amount (\$'000)	2022 Carrying amount (\$'000)
<u>Financial assets</u>			
Cash and equivalent			
Cash and cash equivalent	6.1	11 483	29 808
Fair value through profit and loss			
Investments	6.3	8 129	7 802
Financial assets at amortised cost			
Receivables *	6.2	5 242	661
Statutory charge debtors	6.4	11 136	9 554
Total financial assets		35 990	47 825
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Payables *	7.1	285	214
Lease liabilities	7.2	4	8
Legal payables		1 674	1 487
Total financial liabilities		1 963	1 709

* Total amounts disclosed here exclude statutory amounts. Receivables do not include prepayments as these are not financial instruments. Prepayments are presented in note 6.2.

Statutory receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. This includes Commonwealth, State and Local Government taxes and equivalents, fees and charges, and Auditor-General's Department audit fees. This is in addition to employee related payables, such as Fringe Benefits Tax, Pay As You Go Withholding and ReturnToWorkSA levies. In government, certain rights to receive or pay cash may not be contractual but have their source in legislation and therefore, in these situations, the disclosure requirements of AASB 7 will not apply. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

Statutory charge debtors

Statutory charge debtors are included in financial instruments as the debt reflects a contractual obligation to the Commission. The naming of these debtors as statutory is due to the *Legal Services Commission Act 1977* allowing legal assistance costs to be secured by a charge on property.