Financial statements

Legal Aid Commission of NSW

The Legal Aid Commission of NSW (Legal Aid NSW) economic entity consists of two separate reporting entities; being the Legal Aid Commission (a statutory body) and the Legal Aid Commission Staff Agency (a government department). The Legal Aid Commission Staff Agency provides personnel services to the Legal Aid Commission.

LEGAL AID COMMISSION OF NEW SOUTH WALES

Statement by Members of the Board

Pursuant to the *Part 7.6* of the *Government Sector Finance Act 2018*. and in accordance with a resolution of the Board of the Legal Aid Commission of NSW, we declare on behalf of the Legal Aid Commission of NSW that in our opinion:

1. The Legal Aid Commission of NSW's financial statements are prepared in accordance with:
   - applicable Australian Accounting Standards (which include Australian Accounting Interpretations),
   - the requirements of the *Government Sector Finance Act 2018 and* Government Sector Finance Regulation 2018, and
   - the Treasurer's Directions issued under the Act.

2. The accompanying financial statements present fairly the financial position financial performance and cash flows of the Legal Aid Commission of NSW as at 30 June 2022.

3. There are no circumstances that render any particulars included in the financial statements to be misleading or inaccurate

Craig Smith
Chair

Date: 10 October 2022

Monique Hitter
Chief Executive Officer

Date: 10 October 2022

INDEPENDENT AUDITOR'S REPORT

Legal Aid Commission of New South Wales

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of Legal Aid Commission of New South Wales (the Commission), which comprise the Statement by Members of the Board, the Statement of comprehensive income for the year ended 30 June 2022, the Statement of financial position as at 30 June 2022, the Statement of changes in equity and the Statement of cash flows for the year then ended, notes comprising a Statement of Significant Accounting Policies and other explanatory information of the Commission and the consolidated entity. The consolidated entity comprises the Commission and the entity it controlled at the year's end or from time to time during the financial year.

In my opinion, the financial statements:

- have been prepared in accordance with Australian Accounting Standards and the applicable financial reporting requirements of the *Government Sector Finance Act 2018* (GSF Act), the Government Sector Finance Regulation 2018 (GSF Regulation) and the Treasurer's Directions
- presents fairly the financial position, financial performance and cash flows of the Commission and the consolidated entity.

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

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Commission and the consolidated entity in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies
- precluding the Auditor-General from providing non-audit services.

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

The Board's Responsibilities for the Financial Statements

The members of the Board is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the GSF Act, GSF Regulation and Treasurer's Directions. The Board's responsibility also includes such internal control as the members of the Board determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members of the Board are responsible for assessing the ability of the Commission and the consolidated entity to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Commission or the consolidated entity carried out their activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Jan-Michael Perez
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

12 October 2022
SYDNEY

Statement of comprehensive income for the year ended 30 June 2022

		Consolidated			Commission	
	Notes	Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000	Actual 2022 $'000	Actual 2021 $'000
Expenses excluding losses						
Employee-related expenses	2(a)	163,846	161,063	156,873	794	897
Personnel services	2(a)	-	-	-	161,074	156,438
Operating expenses	2(b)	18,050	20,638	20,435	19,784	19,921
Depreciation and amortisation	2(c)	18,206	18,725	17,829	18,725	17,829
Grants and subsidies	2(d)	64,474	77,299	70,052	77,299	70,052
Finance costs	2(e)	1,410	2,299	1,718	2,299	1,718
Services provided by private practitioners	2(f)	139,704	145,998	137,757	145,998	137,757
Total Expenses excluding losses		**405,690**	**426,022**	**404,664**	**425,973**	**404,612**
Revenue						
Sale of goods and services	3(a)	4,111	7,693	7,854	7,693	7,854
Investment revenue	3(b)	-	183	-	183	-
Grants and contributions	3(c)	394,592	425,379	380,360	425,379	380,360
Acceptance by the Crown Entity of employee benefits and other liabilities	3(d)	3,682	4,167	4,190	4,118	4,138
Other revenue	3(e)	269	1,515	632	1,515	632
Total Revenue		**402,654**	**438,937**	**393,036**	**438,888**	**392,984**
Operating Result		**(3,036)**	**12,915**	**(11,628)**	**12,915**	**(11,628)**
Gain/(loss) on disposal	4	35	(5)	(1)	(5)	(1)
Other gains/(losses)	5	(200)	625	299	625	299
Net Result	19	**(3,201)**	**13,535**	**(11,330)**	**13,535**	**(11,330)**
Other comprehensive income		-	-	-	-	-
Total other comprehensive income		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME		**(3,201)**	**13,535**	**(11,330)**	**13,535**	**(11,330)**

The accompanying notes form part of these statements.

Statement of financial position as at 30 June 2022

	Notes	Consolidated			Commission	
		Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000	Actual 2022 $'000	Actual 2021 $'000
ASSETS						
Current Assets						
Cash and cash equivalents	7	14,221	34,490	21,644	34,490	21,644
Receivables	8	9,538	9,096	6,349	9,096	6,349
Total Current Assets		**23,759**	**43,586**	**27,993**	**43,586**	**27,993**
Non-Current Assets						
Receivables	8	7,700	9,357	9,736	9,357	9,736
Plant and equipment	9	8,157	12,317	10,736	12,317	10,736
Right-of-use assets	10	56,585	963	66,773	963	66,773
Intangible assets	11	22,377	21,581	22,216	21,581	22,216
Total Non-Current Assets		**94,819**	**44,218**	**109,461**	**44,218**	**109,461**
Total Assets		**118,578**	**87,804**	**137,454**	**87,804**	**137,454**
LIABILITIES						
Current Liabilities						
Payables	12	19,237	22,325	20,575	22,325	20,575
Borrowings	13	2,224	612	8,707	612	8,707
Provisions	14	19,845	21,799	20,202	21,799	20,202
Total Current Liabilities		**41,306**	**44,736**	**49,484**	**44,736**	**49,484**
Non-Current Liabilities						
Provisions	14	6,136	7,210	6,096	7,210	6,096
Borrowings	13	57,715	562	60,113	562	60,113
Total Non-Current Liabilities		**63,851**	**7,772**	**66,209**	**7,772**	**66,209**
Total Liabilities		**105,157**	**52,508**	**115,693**	**52,508**	**115,693**
Net Assets		**13,421**	**35,296**	**21,761**	**35,296**	**21,761**
EQUITY						
Accumulated funds	15	13,421	35,296	21,761	35,296	21,761
Total Equity		**13,421**	**35,296**	**21,761**	**35,296**	**21,761**

The accompanying notes form part of these statements.

Statement of changes in equity for the year ended 30 June 2022

	Notes	Consolidated Accumulated Funds $'000	Commission Accumulated Funds $'000
Balance at 1 July 2021		21,761	21,761
Net result for the year		13,535	13,535
Other comprehensive income		-	-
Total comprehensive income for the year		**13,535**	**13,535**
Balance at 30 June 2022		**35,296**	**35,296**
Balance at 1 July 2020		33,091	33,091
Net result for the year		(11,330)	(11,330)
Total comprehensive income for the year		**(11,330)**	**(11,330)**
Balance at 30 June 2021		**21,761**	**21,761**

The accompanying notes form part of these statements.

Statement of cash flows for the year ended 30 June 2022

	Notes	Consolidated			Commission	
		Budget 2022 $'000	Actual 2022 $'000	Actual 2021 $'000	Actual 2022 $'000	Actual 2021 $'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Payments						
Employee-related		(160,164)	(154,390)	(151,449)	(794)	(897)
Personnel services		-	-	-	(154,450)	(150,552)
Grants and subsidies		(64,474)	(85,029)	(77,057)	(85,029)	(77,057)
Private practitioners		(139,704)	(143,027)	(134,592)	(143,027)	(134,592)
Other		(19,460)	(28,882)	(19,448)	(27,942)	(19,448)
Total Payments		**(383,802)**	**(411,328)**	**(382,546)**	**(411,242)**	**(382,546)**
Receipts						
Sale of goods and services		3,911	6,406	6,421	6,406	6,421
Interest received		-	183	-	183	-
Grants and contributions		394,592	427,982	381,197	427,982	381,197
Other		269	9,927	8,808	9,841	8,808
Total Receipts		**398,772**	**444,499**	**396,427**	**444,413**	**396,427**
NET CASH FLOWS FROM OPERATING ACTIVITIES	19	**14,970**	**33,171**	**13,881**	**33,171**	**13,881**
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from sale of plant and equipment		35	-	-	-	-
Purchases of plant and equipment, and intangibles		(5,794)	(7,819)	(6,248)	(7,819)	(6,248)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(5,759)**	**(7,819)**	**(6,248)**	**(7,819)**	**(6,248)**
CASH FLOW FROM FINANCING ACTIVITIES						
Payment of principal portion of lease liabilities		(10,130)	(12,507)	(11,381)	(12,507)	(11,381)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(10,130)**	**(12,507)**	**(11,381)**	**(12,507)**	**(11,381)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		(919)	12,845	(3,748)	12,845	(3,748)
Opening cash and cash equivalents		15,140	21,645	25,393	21,645	25,393
CLOSING CASH AND CASH EQUIVALENTS	7	**14,221**	**34,490**	**21,645**	**34,490**	**21,645**

The accompanying notes form part of these statements.

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting commission

The Legal Aid Commission of NSW (the Commission) is a NSW government entity and is controlled by the state of New South Wales, which is the ultimate parent. The Commission is an independent statutory body, established under the *Legal Aid Commission Act 1979*. The Commission is a not-for-profit Commission (as profit is not its principal objective) and it has no cash-generating units. The Commission's main objective is to improve access to justice for the most disadvantaged people in our society, responding to their legal needs.

The Commission, as a reporting entity, comprises all entities under its control, namely, the Commission and the Legal Aid Commission Staff Agency. Transactions relating to the Legal Aid NSW Commission Trust Account are not included in the financial statements of the Commission, as the Commission does not control or use these funds for the achievement of its objectives.

In the process of preparing the consolidated financial statements for the economic entity consisting of the controlling and controlled entities, all inter-entity transactions and balances have been eliminated, and like transactions and other events are accounted for using uniform accounting policies.

The consolidated financial statements for the year ended 30 June 2022 were authorised for issue by the Chair, Legal Aid NSW and the Chief Executive Officer on 10 October 2022.

(b) Basis of preparation

The Commission's financial statements are general purpose financial statements which have been prepared on an accrual basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Government Sector Finance Act 2018* (GSF Act) and Regulation, and
- Treasurer's Directions issued under the GSF Act.

Plant and equipment and intangible assets are measured at fair value where there is an active market. Where there is no active market, the asset is carried at cost less any accumulated amortisation and impairment losses. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest thousand and are expressed in Australian currency, which is the Commission's presentation and functional currency.

(c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Administered activities on behalf of the Crown in right of the state of New South Wales (Crown)

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

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

(f) Comparative information

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

(g) Changes in accounting policy, including new or revised Australian Accounting Standards

Effective for the first time in 2021–2022

The accounting policies applied in 2021–2022 are consistent with those of the previous financial year. Management has assessed all new or revised accounting standards (including those issued but not yet effective) and has concluded these do not have a material impact on the financial statements of Legal Aid NSW.

- *AASB 7 Financial Instruments: Disclosures*
- *AASB 17 Insurance Contracts*

- AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*, and
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material.*

Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. The following new Australian Accounting Standards have not been applied and are not yet effective.

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- AASB 17 *Insurance Contracts (Appendix D)*, and
- AASB 2021-7b *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.*

It is considered that the impact of the above new standards and interpretations in future periods will have no material impact on the financial statements of the Commission for the year ending 30 June 2022.

(h) Impact of COVID-19 on financial reporting for 2021–2022

The Commission has determined the financial impact of COVID-19. Increased costs, due to offices being closed for periods of time and the relocation of staff to a working from home model, incurred additional expenditure.

Actuarial assessment of the Commission's work in progress liability for legal fees have noted that no explicit changes to the valuation assumptions have been made as a result of the impacts of COVID-19 as they are implicitly reflected in the experience observed. The actuary expects that there is only a minor impact on the valuation as at 30 June 2022.

(i) Superannuation on annual leave loading

Legal Aid NSW has determined that it is not probable a liability arises to pay superannuation on annual leave loading. This position has been formed based on current inquiries, other information currently available to management, and after considering the facts from a decision in the Federal Court of Australia: *Finance Sector Union of Australia v Commonwealth Bank of Australia* [2022] FedCFamC2G 409. That decision confirmed that, in relation to the industrial agreement considered in that case, annual leave loading did not form part of ordinary time earnings and therefore, did not require superannuation contributions to be made under superannuation guarantee legislation because the obligation to pay annual leave loading was not referable to ordinary hours of work or to ordinary rates of pay. Rather, it was paid by reference to the period of annual leave, and for the purpose of compensating employees for their loss of opportunity to work additional hours at higher rates during this period. This position will be reassessed in future reporting periods as new information comes to light on this matter.

	Consolidated		**Commission**	
	2022 $'000	**2021 $'000**	**2022 $'000**	**2021 $'000**
2 EXPENSES EXCLUDING LOSSES				
(a) Employee-related expenses and personnel services				
Employee-related expenses				
Salaries and wages (including annual leave)	137,702	132,424	-	-
Superannuation – defined benefit plans	900	948	-	-
Superannuation – defined contribution plans	12,788	11,922	-	-
Long service leave	1,132	3,033	-	-
Workers compensation insurance	568	701	-	-
Payroll tax and fringe benefits tax	7,179	6,948	-	-
Agency staff costs	794	897	794	897
Total	**161,063**	**156,873**	**794**	**897**

The Commission does not employ staff who are directly involved in day-to-day servicing or maintenance. Employee-related expenses capitalised to fixed assets in 2021–2022 was $0.740m (2020–2021: $0.463m), therefore excluded from the above.

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Personnel services				
Personnel services provided by the Legal Aid NSW Commission Staff Agency	-	-	161,074	156,438
Total	**-**	**-**	**161,074**	**156,438**

(b) Other operating expenses

Other operating expenses include the following:

	Consolidated 2022 $'000	Consolidated 2021 $'000	Commission 2022 $'000	Commission 2021 $'000
Auditor's remuneration – audit of financial statements	159	191	159	191
Auditor's remuneration – audit of National Legal Advisory Service for Disability Royal Commission	10	10	10	10
Cleaning	684	943	684	943
Consultants	132	161	132	161
Contractors	146	179	146	179
Electricity and gas	281	354	281	354
Information Technology	7,176	7,364	7,176	7,364
Insurance	271	236	271	236
Internal audit and audit of Trust Account	90	232	90	232
Library resources	890	788	890	788
Maintenance	151	411	151	411
Expenses relating to short-term leases and low-value assets	2,772	2,238	2,772	2,238
Postage	790	687	790	687
Practising certificates	643	323	643	323
Printing	791	766	791	766
Records management	834	813	834	813
Stationery, stores and provisions	450	595	450	595
Telephone	550	270	550	270
Travel	761	963	761	963
Other	3,057	2,911	2,203	2,397
Total	**20,638**	**20,435**	**19,784**	**19,921**

Recognition and measurement

Maintenance expense

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

Insurance

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

Lease expense

The entity recognises the lease payments associated with the following types of leases as an expense on a straight-line basis:

- leases that meet the definition of short-term. i.e. where the lease term at commencement of the lease is 12 months or less. This excludes leases with a purchase option, and
- leases of assets that are valued at $10,000 or under when new.

Variable lease payments not included in the measurement of the lease liability (i.e. variable lease payments that do not depend on an index or a rate, initially measured using the index or rate as at the commencement date). These payments are recognised in the period in which the event or condition that triggers those payments occurs.

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
(c) Depreciation and amortisation expenses				
Depreciation				
Leasehold improvements	2,425	2,218	2,425	2,218
Right-of-use leased assets	11,633	10,741	11,633	10,741
Plant and equipment	725	1,093	725	1,093
Total	**14,783**	**14,052**	**14,783**	**14,052**
Amortisation				
Software	3,942	3,777	3,942	3,777
Total	**3,942**	**3,777**	**3,942**	**3,777**
Total depreciation and amortisation expenses	**18,725**	**17,829**	**18,725**	**17,829**

Refer to Notes 9, 10 and 11 for recognition and measurement policies on depreciation and amortisation.

(d) Grants and subsidies				
Domestic Violence Court Assistance Program	32,801	29,674	32,801	29,674
Community Legal Centres	36,578	33,798	36,578	33,798
Cooperative Legal Service Delivery Program	641	1,426	641	1,426
Grants to other organisations	7,279	5,154	7,279	5,154
Total	**77,299**	**70,052**	**77,299**	**70,052**

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

(e) Finance costs				
Interest expense from lease liabilities	1,525	1,610	1,525	1,610
Unwinding of discount on make good provision	774	108	774	108
Total	**2,299**	**1,718**	**2,299**	**1,718**

Recognition and Measurement

Finance costs consist of interest and other costs incurred in connection with the borrowing of funds. Borrowing costs are recognised as expenses in the period in which they are incurred, in accordance with Treasury's mandate to not-for-profit NSW GGS entities.

(f) Services provided by private practitioners (1)				
Solicitor services provided by private practitioners	93,540	86,571	93,540	86,571
Barrister services provided by private practitioners	38,198	36,733	38,198	36,733
Disbursements	14,260	14,453	14,260	14,453
Total	**145,998**	**137,757**	**145,998**	**137,757**

(1) Includes an estimate of the net cost of work in progress by external legal practitioners who have provided services but not submitted an invoice to the Commission at the end of the reporting period. Refer to Note 12.

3 REVENUE

Recognition and measurement

Income is recognised in accordance with the requirements of AASB 15 Revenue from Contracts with Customers or AASB 1058 Income of Not-for-Profit Entities, dependent on whether there is a contract with a customer defined by AASB 15 Revenue from Contracts with Customers.

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
(a) Sale of goods and services				
Rendering of services				
Criminal law	4,671	4,439	4,671	4,439
Family law	2,574	2,737	2,574	2,737
Civil law	448	678	448	678
Total	**7,693**	**7,854**	**7,693**	**7,854**

Recognition and measurement

Rendering of services

Revenue from rendering of services is recognised when the contribution is levied. The Commission has determined that income from the rendering of services is recognised in accordance with AASB 1058 Income of Not-for-Profit Entities as the granting of aid to a client has been determined as not being a contract.

(b) Investment revenue				
Interest on outstanding accounts	183	-	183	-
Total	**183**	**-**	**183**	**-**

Interest on outstanding accounts was imposed for the 2021–2022 financial year from 1 December, 2021. During 2020–2021, interest on outstanding accounts was not imposed by Legal Aid NSW due to its COVID-19 pandemic response.

Recognition and measurement

Investment revenue

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For financial assets that become credit-impaired, the effective interest rate is applied to the amortised cost of the financial asset (i.e. after deducting the loss allowance for expected credit losses).

(c) Grants and contributions				
Grants without sufficiently specific performance obligations:				
Cluster Agency recurrent contribution	323,612	305,327	323,612	305,327
Cluster Agency capital contribution	5,950	5,483	5,950	5,483
Law Society Public Purpose Fund (i)	20,970	4,577	20,970	4,577
Law Society Public Purpose Capital Fund (i)	3,889	1,000	3,889	1,000
Cluster Agency recurrent contribution – CLC specific (ii)	11,126	10,918	11,126	10,918
Other grants and contributions (iii)	59,832	53,055	59,832	53,055
Total	**425,379**	**380,360**	**425,379**	**380,360**

Recognition and measurement

Grants and contributions

Revenue from grants with sufficiently specific performance obligations is recognised when the Commission satisfies a performance obligation by transferring the promised goods. Revenue from these grants is recognised based on the grant amount specified in the funding agreement/funding approval, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as funding payments are usually received in advance or shortly after the relevant obligation is satisfied. Income from grants without sufficiently specific performance obligations is recognised when the Commission obtains control over the granted assets (e.g. cash).

The Commission has determined that grants and contributions revenue is general in nature and within the scope of AASB 1058 and will be recognised immediately on receipt.

(i) This fund provided a grant of $15.6m ($5.6m in 2020–2021) to provide legal aid services in state matters.

(ii) Community legal centres (CLCs) received specific funding from the Commonwealth Government via the National Partnership Appropriation. In 2021–2022, $11.13m was received (2020–2021 $10.92m). These funds were earmarked for distribution to various Community Legal Centres.

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
(iii) Other state or Commonwealth grants and contributions include:				
Commonwealth	19,269	13,482	19,269	13,482
State	40,563	39,573	40,563	39,573
Total	**59,832**	**53,055**	**59,832**	**53,055**

(d) Acceptance by the Crown of employee benefits and other liabilities

The following liabilities and/or expenses have been assumed by the Crown or other government agencies:

Superannuation – defined benefit	900	948	900	948
Long service leave	3,218	3,190	3,218	3,190
Payroll tax	49	52	-	-
Total	**4,167**	**4,190**	**4,118**	**4,138**

(e) Other revenue

Miscellaneous	1,515	632	1,515	632
Total	**1,515**	**632**	**1,515**	**632**

4 GAIN/(LOSS) ON DISPOSAL

Gain/(loss) on disposal of plant and equipment

Proceeds from disposal	-	-	-	-
Less: Written-down value of assets disposed	(5)	(1)	(5)	(1)
Net gain/(loss) on disposal	**(5)**	**(1)**	**(5)**	**(1)**

5 OTHER GAINS/(LOSSES)

Impairment gain/(loss) on receivables	(1,863)	299	(1,863)	299
Derecognition of right-of-use assets and lease liabilities with Property and Development NSW*	2,488	-	2,488	-
Gain/(loss) on make good provision	-	-	-	-
Net Other gains/(losses)	**625**	**299**	**625**	**299**

Recognition and measurement

Impairment losses

Impairment losses may arise on assets held by the Commission from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting policies and events giving rise to impairment losses are disclosed in Note 8 – Receivables, Note 9 – Plant and equipment, Note 10 – Leased assets, and Note 11 – Intangible assets.

* The net gains are recognised from the derecognition of the right-of-use asset and lease liability with Property and Development NSW (PDNSW) as at 30 June 2022. Please refer to Note 18 for further details on the derecognition.

The net gain from the derecognition of right-of-use asset and lease liability as at 30 June 2022 is reconciled below:

	2022 $'000
Right-of-use asset	
Gross carrying value	(93,074)
Less: accumulated depreciation and accumulated impairment provision	29,341
Net book value	**(63,733)**
Amortised balance of incentives received	-
Lease liability	66,221
Net gains/(losses)	**2,488**

6 STATE OUTCOME GROUP STATEMENTS FOR THE PERIOD ENDING 30 JUNE 2022

CONSOLIDATED EXPENSES AND REVENUES	Outcome Group 1 * Legal Services		Outcome Group 2 * Community Partnerships		Not Attributable		Total	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Expenses excluding Losses								
Employee-related/Personnel services	156,743	153,282	4,320	3,591	-	-	161,063	156,873
Operating expenses	19,147	18,738	1,491	1,697	-	-	20,638	20,435
Depreciation and amortisation	18,223	15,282	502	2,547	-	-	18,725	17,829
Grants and subsidies	1,913	1,865	75,386	68,187	-	-	77,299	70,052
Finance costs	2,237	1,679	62	39	-	-	2,299	1,718
Services provided by private practitioners	145,648	137,186	350	571	-	-	145,998	137,757
Total Expenses excluding losses	**343,912**	**328,032**	**82,110**	**76,632**	**-**	**-**	**426,022**	**404,664**
Revenue								
Sale of goods and services	7,693	7,854	-	-	-	-	7,693	7,854
Investment income	178	-	5	-	-	-	183	-
Grants and contributions	317,758	296,878	107,621	83,482	-	-	425,379	380,360
Acceptance by the Crown of employee benefits and other liabilities	4,036	4,135	131	55	-	-	4,167	4,190
Other revenue	1,189	620	326	12	-	-	1,515	632
Total Revenue	**330,855**	**309,487**	**108,082**	**83,549**	**-**	**-**	**438,937**	**393,036**
Operating Result	**(13,057)**	**(18,545)**	**25,972**	**6,917**	**-**	**-**	**12,915**	**(11,628)**
Gain/(Loss) on disposal of non-current assets	(4)	(1)	(1)	-	-	-	(5)	(1)
Other gains/(losses)	2,420	299	(1,795)	-	-	-	625	299
Net result	**(10,641)**	**(18,247)**	**24,176**	**6,917**	**-**	**-**	**13,535**	**(11,330)**
TOTAL COMPREHENSIVE INCOME	**(10,641)**	**(18,247)**	**24,176**	**6,917**	**-**	**-**	**13,535**	**(11,330)**

CONSOLIDATED EXPENSES AND REVENUES	Outcome Group 1 * Legal Services		Outcome Group 2 * Community Partnerships		Not Attributable		Total	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Current Assets								
Cash and cash equivalents	-	-	-	-	34,490	21,644	34,490	21,644
Receivables	8,776	6,340	320	9	-	-	9,096	6,349
Total Current Assets	**8,776**	**6,340**	**320**	**9**	**34,490**	**21,644**	**43,586**	**27,993**
Non-Current Assets								
Receivables	9,028	9,722	329	14	-	-	9,357	9,736
Plant and equipment	11,987	10,490	330	246	-	-	12,317	10,736
Right-of-use assets	937	65,244	26	1,529	-	-	963	66,773
Intangible assets	21,002	21,707	579	509	-	-	21,581	22,216
Total Non-Current Assets	**42,954**	**107,163**	**1,264**	**2,298**	**-**	**-**	**44,218**	**109,461**
Total Assets	**51,730**	**113,503**	**1,584**	**2,307**	**34,490**	**21,644**	**87,804**	**137,454**
Current Liabilities								
Payables	21,905	20,192	420	383	-	-	22,325	20,575
Borrowings	596	8,508	16	199	-	-	612	8,707
Provisions	**21,214**	**19,740**	**585**	**462**	**-**	**-**	**21,799**	**20,202**
Total Current Liabilities	**43,715**	**48,440**	**1,021**	**1,044**	**-**	**-**	**44,736**	**49,484**
Non-Current Liabilities								
Provisions	7,017	5,956	193	140	-	-	7,210	6,096
Borrowings	547	58,737	15	1,376	-	-	562	60,113
Other	-	-	-	-	-	-	-	-
Total Non-Current Liabilities	**7,564**	**64,693**	**208**	**1,516**	**-**	**-**	**7,772**	**66,209**
Total Liabilities	**51,279**	**113,133**	**1,229**	**2,560**	**-**	**-**	**52,508**	**115,693**
Net Assets	**451**	**370**	**355**	**(253)**	**34,490**	**21,644**	**35,296**	**21,761**

* The names and purposes of each program group are summarised below.

STATE OUTCOME GROUP DESCRIPTIONS

Outcome Group 1 – Legal Services

This group covers the provision of legal services to eligible persons under Commonwealth law and state legislation, provision of community legal education, and provision of advice to the socially and economically disadvantaged.

Outcome Group 2 – Community Partnerships

This group covers funding of community organisations for specific purposes. It includes providing legal assistance to disadvantaged people, undertaking law reform activities, and providing specialised court-based assistance for women and children seeking legal protection from domestic violence.

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
7 CURRENT ASSETS – CASH AND CASH EQUIVALENTS				
Cash at bank	34,490	21,644	34,490	21,644
Total Cash	**34,490**	**21,644**	**34,490**	**21,644**

For the purposes of the Statement of Cash Flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

Cash and cash equivalents (per Statement of Financial Position)	34,490	21,644	34,490	21,644
Cash and cash equivalents (per Statement of Cash Flows)	**34,490**	**21,644**	**34,490**	**21,644**

Refer to Note 21 for details regarding credit risk and market risk arising from financial instruments

The Commission has a business credit card facility of $0.220m (2020–2021: $0.220m) with Citibank, which is the total of the credit limit for all issued credit cards. The balance in this facility is cleared monthly.

8 CURRENT/NON-CURRENT ASSETS – RECEIVABLES				
Current				
Sale of goods and services	5,017	4,163	5,017	4,163
Less: Allowance for expected credit loss	(444)	(277)	(444)	(277)
	4,573	3,886	4,573	3,886
Other debtors	24	30	24	30
GST recoverable from Australian Taxation Office	2,525	1,607	2,525	1,607
Prepayments	1,974	826	1,974	826
Total Current	**9,096**	**6,349**	**9,096**	**6,349**
Non-Current				
Sale of goods and services	11,193	10,482	11,193	10,482
Less: Allowance for expected credit loss	(1,836)	(746)	(1,836)	(746)
Total Non-Current	**9,357**	**9,736**	**9,357**	**9,736**
Movement in the allowance for expected credit loss				
Balance at the beginning of the year	1,023	1,601	1,023	1,601
Amounts written off during the year	(607)	(281)	(607)	(281)
Amounts recovered during the year	1	2	1	2
Increase/(decrease) in allowance recognised in net result	1,863	(299)	1,863	-299
Balance at the end of the year	**2,280**	**1,023**	**2,280**	**1,023**

Details of credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 21.

Receivables from the sale of goods and services (both current and non-current) in the amount of $10.32m (2020–2021: $9.1m) are secured by way of caveat.

Recognition and Measurement

All 'regular way' purchases or sales of financial asset are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Subsequent measurement

The Commission holds receivables with the objective to collect the contractual cash flows and therefore measures them at amortised cost using the effective interest method, less any impairment. Changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Impairment

The Commission recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, the entity applies a simplified approach in calculating ECLs. The entity recognises a loss allowance based on lifetime ECLs at each reporting date. The Commission has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable.

	Consolidated $'000	Commission $'000
9 NON-CURRENT ASSETS – PLANT AND EQUIPMENT		
At 1 July 2021 – fair value		
Gross carrying amount	49,414	49,414
Less: Accumulated depreciation and impairment	(38,678)	(38,678)
Net carrying amount	**10,736**	**10,736**
At 30 June 2022 – fair value		
Gross carrying amount	53,827	53,827
Less: Accumulated depreciation and impairment	(41,510)	(41,510)
Net carrying amount	**12,317**	**12,317**

Reconciliation

A reconciliation of the carrying amounts of plant and equipment at the beginning and end of the current reporting period is set out below:

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net carrying amount at beginning of year	**10,736**	**9,505**	**10,736**	**9,505**
Additions	2,493	2,608	2,493	2,608
Disposals	(5)	(1)	(5)	(1)
Transfers (1)	2,243	1,935	2,243	1,935
Depreciation expense asset owned	(3,150)	(3,311)	(3,150)	(3,311)
Net carrying amount at end of year	**12,317**	**10,736**	**12,317**	**10,736**

Further details regarding the fair value measurement of property, plant and equipment are disclosed in Note 21.

(1) Transfers are from assets under construction where construction is complete.

Plant and equipment classification				
Office equipment	796	421	796	421
IT hardware	643	994	643	994
Leasehold improvements	10,878	9,321	10,878	9,321
	12,317	**10,736**	**12,317**	**10,736**

Recognition and measurement

Acquisition of plant and equipment

Plant and equipment are initially measured at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the requirements of other Australian Accounting Standards.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an asset is deferred beyond normal credit terms, its cost is the cash price equivalent; i.e. deferred payment amount is effectively discounted over the period of credit.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Capitalisation thresholds

Plant and equipment and intangible assets costing $5,000 and above individually (or forming part of a network or group costing more than $5,000) are capitalised.

Restoration costs

The present value of the expected cost for the restoration or cost of dismantling of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation of plant and equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the Commission. Leasehold improvements are amortised over the unexpired period of the lease or estimated useful life whichever is the shorter. Refer Note 2(c).

	2022	**2021**
Applicable depreciation rates for each class of depreciable assets are listed below:	**%**	**%**
Computer equipment	20 – 25	20 – 25
Office equipment	15 – 25	15 – 25
Leasehold improvements (includes furniture and fittings)	Term of the lease or 10 years whichever is the lesser.	

Right-of-use assets acquired by lessees

The Commission has elected to present right-of-use assets separately in the Statement of Financial Position. Further information on leases is contained at Note 10.

Service concession in assets

Service concession arrangements (SCAs) are contracts between a grantor and an operator where an operator provides public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and manages at least some of those services.

Based on the Commission's assessment, there are no SCAs that fall in the scope of AASB 1059.

Revaluation of plant and equipment

Physical non-current assets are valued in accordance with the Valuation of Physical Non-Current Assets at Fair Value Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 Fair Value Measurement, AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

The Commission's plant and equipment are non-specialised assets with short useful lives and are measured at depreciated historical cost, as an approximation of fair value. The Commission has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Impairment of plant and equipment

As a not-for-profit entity with no cash-generating units, impairment under AASB 136 Impairment of Assets is unlikely to arise. As plant and equipment is carried at fair value, or an amount that approximates fair value, impairment can only arise in rare circumstances such as where the costs of disposal are material.

The Commission assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Commission estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in net result and is treated as a revaluation increase. However, to the extent that an impairment loss on the same class of asset was previously recognised in net result, a reversal of that impairment loss is also recognised in net result.

10 LEASES

The Commission leases various properties and motor vehicles. Lease contracts are typically made for fixed periods of one to 10 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The entity does not provide residual value guarantees in relation to leases.

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the entity and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

The Commission has elected to recognise payments for short-term leases and low-value leases as expenses on a straight-line basis, instead of recognising a right-of-use asset and lease liability. Short-term leases are leases with a lease term of 12 months or less.

During the financial year ended 30 June 2022, the entity has accepted the changes in the office accommodation arrangements with PDNSW. The main change is the introduction of the ‘substitution right’ clause for PDNSW to relocate the entity during the term of the agreement. The clause provides PDNSW with a substantive substitution right. Therefore, these agreements are no longer accounted for as a lease within the scope of AASB 16.

The corresponding right-of-use assets and lease liabilities have been derecognised on 30 June 2022, the effective date of the new clause. The net impact of the derecognition is recognised in Other Gains/(Losses) (refer to Note 5). From 1 July 2022, the accommodation charges will be recognised as expenses when incurred over the agreement duration.

The entity continues to carry the responsibility to make good, and to control the fit-out during the remaining occupancy period as the entity receives the economic benefits from using the fit-out or expected compensation from PDNSW upon relocation. The incentives received prior to the 30 June 2022 apply to the remaining occupancy period. Therefore, the entity’s accounting treatment for make-good provision and fit-out costs in relation to the relevant accommodation remains unchanged. A liability in relation to the amortised balance of incentives received has been recognised as a liability as at 30 June 2022 and will be amortised during the remaining occupancy period.

The following table presents right-of-use assets.

Right-of-use assets under leases	**Plant and Equipment $’000**
Balance 1 July 2021	66,773
Additions and/or reassesment of leases	9,556
Depreciation expense right-of-use asset	(11,633)
Derecognition of right-of-use asset	(63,733)
Balance 30 June 2022	**963**
Balance 1 July 2020	69,973
Additions and/or reassessment of leases	7,541
Depreciation expense right-of-use asset	(10,741)
Balance 30 June 2021	**66,773**

Lease liabilities – borrowings	**2022**	**2021**
The following table presents liabilities under leases.	**$’000**	**$’000**
Balance 1 July	68,820	71,029
Additions and/or reassessment of leases	9,557	7,541
Interest expense on lease liabilities	1,525	1,610
Payments	(12,507)	(11,360)
Derecognition of lease liabilities	(66,221)	–
Balance 30 June (see Note 13)	**1,174**	**68,820**

Additions and/or reassesment of leases are a result of PDNSW reassessment of individual lease liabilities which results in corresponding movements between right-of-use assets and lease liabilities.

The following amounts were recognised in the statement of comprehensive income in respect of leases where the Commission is the lessee:

	2022 $'000	2021 $'000
Depreciation expense right-of-use asset	11,633	10,741
Interest expense on lease liabilities	1,525	1,610
Expense relating to short-term leases	731	959
Expense relating to low-value assets	282	386
Gains or losses arising from derecognising right-of-use assets and lease liabilities with Property and Development NSW	(2,488)	-
Total amount recognised in the statement of comprehensive income	**11,683**	**13,695**

The Commission had total cash outflows for leases of $16.8m in FY2021–2022 (FY2020–2021 $15.0m).

Recognition and measurement

The Commission assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Commission recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets, except for short-term leases and leases of low-value assets.

(i) Right-of-use assets

The Commission recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are initially measured at the amount of initial measurement of the lease liability (refer below), adjusted by any lease payments made at or before the commencement date and lease incentives, any initial direct costs incurred, and estimated costs of dismantling and removing the asset or restoring the site. The right-of-use assets are subsequently measured at cost.

They are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows.

- property leases – term of the lease remaining,
- motor vehicles and other equipment – two to five years.

If ownership of the leased asset transfers to the entity at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The Commission assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the entity estimates the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. After an impairment loss has been recognised, it is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the net result.

(ii) Lease liabilities

At the commencement date of the lease, the Commission recognises lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include:

- fixed payments (including in substance fixed payments) less any lease incentives receivable.
- variable lease payments that depend on an index or a rate.
- amounts expected to be paid under residual value guarantees.
- exercise price of purchase options reasonably certain to be exercised by the Commission, and
- payments of penalties for terminating the lease, if the lease term reflects the Commission exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Commision's leases, the lessee's incremental borrowing rate is used, being the rate that the entity would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Commission's lease liabilities are included in borrowings.

(iii) Short-term leases and leases of low-value assets

The Commission applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(iv) Leases that have significantly below-market terms and conditions principally to enable the Commission to further its objectives

The initial and subsequent measurement of right-of-use assets under leases at significantly below-market terms and conditions that are entered into principally to enable the entity to further its objectives is the same as for normal right-of-use assets. They are measured at cost, subject to impairment.

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
11 INTANGIBLE ASSETS				
At 1 July – fair value				
Cost (gross carrying amount)	41,732	39,269	41,732	39,269
Less: Accumulated amortisation and impairment	(19,516)	(15,739)	(19,516)	(15,739)
Net carrying amount	**22,216**	**23,530**	**22,216**	**23,530**
At 30 June – fair value				
Cost (gross carrying amount)	44,439	41,732	44,439	41,732
Less: Accumulated amortisation and impairment	(22,858)	(19,516)	(22,858)	(19,516)
Net carrying amount	**21,581**	**22,216**	**21,581**	**22,216**

Reconciliation

A reconciliation of the carrying amounts of intangible assets at the beginning and end of the current reporting period is set out below.

	Consolidated 2022 $'000	Consolidated 2021 $'000	Commission 2022 $'000	Commission 2021 $'000
Net carrying amount at beginning of year	**22,216**	**23,530**	**22,216**	**23,530**
Additions	5,550	4,398	5,550	4,398
Transfers to plant and equipment	(2,243)	(1,935)	(2,243)	(1,935)
Amortisation (recognised 'indepreciation and amortisation')	(3,942)	(3,777)	(3,942)	(3,777)
Net carrying amount at end of year	**21,581**	**22,216**	**21,581**	**22,216**
Intangible assets classification				
IT software	19,743	16,518	19,743	16,518
IT software and hardware under construction	1,838	5,698	1,838	5,698
	21,581	**22,216**	**21,581**	**22,216**

Recognition and measurement

The Commission recognises intangible assets only if it is probable that future economic benefits will flow to the Commission and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition. Following initial recognition, intangible assets are subsequently measured at fair value only if there is an active market. If there is no active market for the Commission's intangible assets, the assets are carried at cost less any accumulated amortisation and impairment losses.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed to be finite. The Commission's intangible assets are amortised using the straight-line method over a period of generally four to 10 years.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount, the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'00	2021 $'000
12 CURRENT LIABILITIES – PAYABLES				
Accrued salaries, wages and on-costs	2,814	1,993	-	-
Legal Aid Commission Staff Agency – accrued salaries, wages and on-costs	-	-	2,814	1,993
Creditors	1,395	2,362	1,395	2,362
Accrued expenses	2,795	3,870	2,795	3,870
Unearned revenue	-	-	-	-
Accrual of estimated legal expenses (1)	15,321	12,350	15,321	12,350
Total (see Note 10)	**22,325**	**20,575**	**22,325**	**20,575**

(1) The Commission has accrued the cost of work in progress by external legal practitioners using calculations performed by an actuary. The actuary was able to satisfactorily reconcile historical payment information received at June 2022 with that received 12 months earlier and Legal Aid NSW has undertaken an independent reconciliation of payments made in the last 12 months. The liability is calculated using the Paid Chain Ladder (PCL) method which analyses the past pattern of payments to predict future payments. The actuary has made no allowance for the impact of inflating or discounting the value of Outstanding Creditors. Given the relatively short- term nature of payments for this type of business, the effects of inflating and discounting do not have a material effect on the valuation result.

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 21.

Recognition and measurement

Payables represent liabilities for goods and services provided to the Commission and other amounts. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

Payables are financial liabilities at amortised cost, initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the net result when the liabilities are derecognised as well as through the amortisation process.

	Consolidated 2022 $'000	Consolidated 2021 $'000	Commission 2022 $'00	Commission 2021 $'000
13 CURRENT/NON-CURRENT LIABILITIES – BORROWINGS				
Lease liability – current	612	8,707	612	8,707
Lease liability – non-current	562	60,113	562	60,113
Total (see Note 10)	**1,174**	**68,820**	**1,174**	**68,820**

Details regarding liquidity risk, including a maturity analysis of the above payables are disclosed in Note 21.

Recognition and measurement

Borrowings classified as financial liabilities at amortised cost are initially measured at fair value, net of directly attributable transaction costs. These are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in net result when the liabilities are derecognised as well as through the amortisation process.

	Consolidated 2022 $'000	Consolidated 2021 $'000	Commission 2022 $'00	Commission 2021 $'000
14 CURRENT/NON-CURRENT LIABILITIES – PROVISIONS				
Current				
Employee benefits and related on-costs				
Annual leave	11,390	10,845	-	-
Annual leave expected to be taken after 12 months	2,353	2,240		
Provision for related on-costs	8,056	7,117	-	-
Legal Aid Commission Staff Agency – provision for personnel services	-	-	21,799	20,202
Total Current	**21,799**	**20,202**	**21,799**	**20,202**

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Non-Current				
Employee benefits and related on-costs				
Provision for related on-costs	427	339	-	-
Legal Aid Commission Staff Agency – provision for personnel services	-	-	427	339
	427	**339**	**427**	**339**
Other provisions				
Restoration costs *	6,783	5,757	6,783	5,757
	6,783	**5,757**	**6,783**	**5,757**
Total non-current provisions	**7,210**	**6,096**	**7,210**	**6,096**

* Restoration costs refer to the present value of estimated cost of make good obligations (in accordance with AASB 137) that will arise when existing office accommodation leases expire. The provision is adjusted annually for unwinding and changes in discount rates. Any cost variations in make good expenses at the time of implementation will be recognised in the Statement of Comprehensive Income.

Aggregate employee benefits and related on-costs				
Provisions – current	21,799	20,202	-	-
Provisions – non-current	427	339	-	-
Accrued salaries, wages and on-costs (Note 12)	2,814	1,993	-	-
	25,040	**22,534**	**-**	**-**

Movements in provisions (other than employee benefits)				
Restoration provision				
Carrying amount at start of financial year	5,757	5,589	5,757	5,589
Additional provisions recognised	252	60	252	60
Amounts used or reduction in provision	-	-	-	-
Unwinding/change in the discount rate	774	108	774	108
Carrying amount at end of financial year	**6,783**	**5,757**	**6,783**	**5,757**

Recognition and measurement

Employee benefits and related on-costs

To enable the Commission to carry out its functions, all personnel service requirements are provided by the Legal Aid Commission Staff Agency which is a special purpose service Commission that is a Division of the Government of New South Wales. The personnel service is charged at cost.

Salaries and wages, annual leave and sick leave

Salaries and wages (including non-monetary benefits) and paid sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amounts of the benefits.

Annual leave is not expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service. As such, it is required to be measured at present value in accordance with AASB 119 Employee Benefits (although short-cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that using the nominal annual leave balance plus the annual leave entitlements accrued while taking annual leave (calculated using 8.4% of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. Legal Aid NSW has assessed the actuarial advice based on the Commission's circumstances and has determined that the effect of discounting is immaterial to annual leave. All annual leave is classified as a current liability even where the Commission does not expect to settle the liability within
12 months as the Commission does not have an unconditional right to defer settlement.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

Long service leave and superannuation

The Commission's liabilities for long service leave and defined benefit superannuation are assumed by the Crown in right of the State of New South Wales (Crown). The Commission accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits and other liabilities'.

Long service leave is measured at the present value of expected future payments to be made in respect of services provided up to the reporting date. Consideration is given to certain factors based on actuarial review, including expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using Commonwealth Government bond rate at the reporting date.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employees' superannuation contributions.

Consequential on-costs

Consequential on-costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers compensation insurance premiums and fringe benefits tax.

Provisions

Provisions are recognised when: the Commission has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. When the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented net of any reimbursement in the Statement of Comprehensive Income.

If the effect of the time value of money is material, provisions are discounted at 3.66% (2021 1.4%), which reflects the current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time (i.e. unwinding of discount rate) is recognised as a finance cost.

15 EQUITY

Recognition and measurement

(i) Accumulated funds

The category 'accumulated funds' includes all current and prior period retained funds.

16 COMMITMENTS FOR EXPENDITURE

Capital commitments

Aggregate capital expenditure contracted for at balance date and not provided for:

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not later than one year (to be determined at year end)	891	721	891	721
Total (including GST)	**891**	**721**	**891**	**721**

The total commitments above include input tax credits of $0.8m (2020–2021: $0.07m) that are expected to be recoverable from the Australian Taxation Office.

17 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

At the date of this report, there is no current litigation involving the Legal Aid Commission of NSW from which a contingent liability or contingent asset may arise (2020–2021: $0).

18 BUDGET REVIEW

The budgeted amounts are drawn from the original budgeted financial statements presented to parliament in respect of the reporting period. Subsequent amendments to the original budget (e.g. adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the financial statements are explained below.

Net result

The total surplus result for the year of $13.5m (2020–2021 deficit of $11.3m) shows a $16.7m favourable variance to the original budget deficit of $3.2m. The main contributors to the surplus are: grants and contribution revenue of $425m which is higher than budget by $30m mainly attributable to the National Legal Assistance Partnership; sale of goods and services of $7.7m is higher than budget by $3.6m.

Major expense variances are: employee-related expenses of $161.6m against budget of $163.8m; services provided by private practitioners of $146m exceeded budget by $6m; other operating expenses of $20.8m were $2.7m less than budget.

Assets and liabilities

Actual net assets of $35.3m is more than the budget due to the favourable operating result. The main contributors are: cash and cash equivalent of $34.5m is $20m more than the budget of $14.2m; receivables of $16.3m exceed the total budget by $1.2m; right-of-use assets has decreased signficantly from the prior year due to de-recognition of the leased assets arising from Property and Development NSW's assessment of individual lease liabilities. The movement in these balances is shown in Note 10. These adjustments correlate to a reduction in borrowings in Note 13.

Payables are predominantly in line with budget, provisions of $29.0m are predominantly in line with budget and comprise employee benefits and related costs of $22.8m and restoration costs of $6.8m being office accommodation make good.

Cash flows

The net surplus of cash flow from operating activities was $34.1m compared to the budget of $14.9m due to the favourable operating result. Total operating activities receipts were $484.0m compared to operating activities payments of $449.8m. The net cash flow from investing activities was $8.8m compared to the budget of $5.8m due to additional funding. The closing cash actual balance of $34.4m was $20m higher than budget.

19 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO NET RESULT

Reconciliation of cash flows from operating activities to the net result as reported in the Statement of Comprehensive Income as follows:

	Consolidated		Commission	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Net cash used on operating activities	33,172	13,880	33,172	13,880
Depreciation and amortisation expense	(18,725)	(17,829)	(18,725)	(17,829)
Interest expense from lease liabilities	(1,525)	(1,609)	(1,525)	(1,609)
Derecognition of right-of-use assets and lease liabilities with Property and Development NSW	2,488	-	2,488	-
Decrease/(increase) in provisions	(2,711)	(956)	(2,711)	(956)
Decrease/(increase) in creditors	(1,527)	(5,459)	(1,527)	(5,459)
Increase/(decrease) in prepayments and other assets	2,368	644	2,368	644
Net Gain/(Loss) on disposal of plant and equipment	(5)	(1)	(5)	(1)
Net Result	**13,535**	**(11,330)**	**13,535**	**(11,330)**

20 TRUST FUNDS

The Legal Aid Commission of NSW does not control the funds in the following Trust Account:

Legal Aid Commission Trust Account (1)	2022 $'000	2021 $'000
Cash balance at the beginning of the financial year	865	204
Add: Receipts	3,528	2,615
Less: Expenditure	(2,824)	(1,954)
Cash balance at the end of the financial year	**1,569**	**865**

As the Legal Aid Commission of NSW performs only a custodial role in respect of trust monies, and because the monies cannot be used for the achievement of its objectives; that is, the definition criteria for assets is not met, trust funds are not brought to account in the financial statements, but are shown in the notes for information purposes.

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

21 FINANCIAL INSTRUMENTS

The principal financial instruments of the Commission are outlined below. These financial instruments arise directly from the operations of the Commission or are required to finance the operations of the Commission. The Commission does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The main risks arising from financial instruments for the Commission are outlined below, together with the objectives of the Commission, policies and processes for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout the financial statements.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Legal Aid Commission of NSW, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by management and by the Internal Auditors on a continuous basis.

(a) Financial instrument categories	**Note**	**Category**	**Carrying Amount 2022 $'000**	**Carrying Amount 2021 $'000**
Financial assets				
Class:				
Cash and Cash equivalents	7	Amortised cost	34,490	21,644
Receivables [1]	8	Amortised cost	13,954	13,652
Financial liabilities				
Class:				
Payables [2]	12	Financial liabilities measured at amortised cost	22,232	20,730

[1] Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

[2] Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7).

The Commission determines the classification of its financial assets and liabilities after initial recognition and, when allowed and appropriate, re-evaluates this at each financial year end.

(b) Derecognition of financial assets and financial liabilities

A financial asset is derecognised when the contractual rights to the cash flows from the financial assets expire; or if the Commission transfers its rights to receive cash flows from the asset or as assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

- the Commission has transferred substantially all the risks and rewards of the asset, or
- the Commission has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control.

When the Commission has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. Where the Commission has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset continues to be recognised to the extent of the Commission's continuing involvement in the asset. In that case, the Commission also recognises an associated liability. The transferred asset and the associated lliability are measured on a basis that reflects the rights and obligations that the Commission has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of Consideration that the Commission could be required to repay.

A financial liability is derecognised when the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the net result.

(c) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(d) Financial risks

i) Credit risk

Credit risk arises when there is the possibility of the counterparties of the Commission defaulting on their contractual obligations, resulting in a financial loss to the Commission. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for credit loss or allowance for impairment).

Credit risk arises from the financial assets of the Commission, including cash, and receivables. The Commission has secured a portion of its receivables by way of caveat. The Commission has not granted any financial guarantees.

Credit risk associated with the financial assets of the Commission, other than receivables, is managed through the selection of counterparties and establishment of minimum credit rating standards.

The Commission considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the entity may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Commission.

Cash

Cash comprises the Commission's funds that are held in the general operating bank account within the NSW Treasury Banking System (TBS). Refer Note 7.

Accounting policy for impairment of trade receivables and other financial assets – Receivables

Collectability of receivables is reviewed on an ongoing basis with appropriate follow-up letters sent.

The Commission applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Commission has calculated the value of debtors impairment of receivables using calculations performed by an actuary. The actuary was supplied with individual contributions data for each client and individual repayment information as at 30 June 2022. The actuary subdivided the debtors' portfolio into two groups (secured and unsecured) and made separate estimates of the outstanding legal debtors for each group. The actuary estimated the value of the debt for each cohort using the incurred cost development method. The incurred cost development method estimates the ultimate incurred cost of debts in each contribution period by analysing the past pattern of debt development and estimating a pattern for the future. Further to this, as future repayments will be made over a number of years, the actuary has discounted the expected future contributions to calculate a present value as at 30 June 2022. The discount rate was assumed to be 3.65% p.a. for secured debtors and 3.22% p.a. for unsecured debtors, derived from prevailing yields on Commonwealth government bonds as at the balance date.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others a failure to make contractual payments for a period after the matter has been closed. Interest is charged on overdue trade debtors' accounts under section 71A of the *Legal Aid Commission Act 1979* as amended and applicable interest rates were as follows:

	01/01/2022 to 30/06/2022	**01/07/2021 to 31/12/2021**
Overdue debt (section 71A of *Legal Aid Commission Act 1979*)	3.05%	3.05%
Local Court judgments (section 101 of *Civil Procedure Act 2005*)	6.10%	6.10%
Family Court judgments (section 117B of *Family Law Act*)	6.10%	6.10%

The Commission is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors who are not past due (2022: $0.373m 2021: $0.547m) and not less than one month past due (2022: $1.587m 2021: $1.352m) are not considered impaired and together these represent 12.64% of the total debtors (2021: 13.9%).

The only financial assets that are past due or impaired are 'Sales of Goods and Services' in the 'Receivables' category of the Statement of Financial Position.

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total $'000	**Past due but not considered loss allowance (1,2) $'000**	**Considered loss allowance (1,2) $'000**
2022			
< 3 months overdue	2,344	2,344	-
3 months – 6 months overdue	664	220	444
> 6 months overdue	12,412	10,576	1,836
2021			
< 3 months overdue	1,901	1,901	-
3 months – 6 months overdue	1,012	735	277
> 6 months overdue	10,741	9,995	746

(1) Each column in the table reports 'gross receivables'

(2) The analysis excludes statutory receivables, prepayments, as these are not within the scope of AASB 7. Therefore, the 'total' will not reconcile to the sum of the receivables total in Note 8.

Authority deposits

The Commission did not have any deposit with TCorp during the financial year.

ii) Liquidity risk

Liquidity risk is the risk that the Commission will be unable to meet its payment obligations when they fall due. The Commission continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

Liabilities are recognised for amounts due to be paid in the future for goods and services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers CEO may automatically pay the supplier simple interest. The Commission did not incur any penalty interest for late payment of claims.

The table below summarises the maturity profile of the financial liabilities of the Commission, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities:	**Consolidated and Commission**			
	Nominal amount (1) $'000	**Maturity < 1 year $'000**	**Maturity 1 to 5 years $'000**	**Maturity > 5 years $'000**
2022				
Payables				
Accounts payables	22,232	22,232	-	-
Borrowings				
Lease liabilities	1,174	612	562	-
2021				
Payables				
Accounts payable	20,730	20,730	-	-
Borrowings				
Lease liabilities	68,820	8,707	42,550	17,563

(1) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which Legal Aid NSW can be required to pay except for Borrowings which are discounted at weighted average effective interest rate of 1.81%.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The exposure to market risk of the Commission is minimal. The Commission has no exposure to foreign currency risk and does not enter into commodity contracts.

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Exposure to interest rate risk arises primarily through the entity's interest-bearing liabilities. The Commission does not account for any fixed rate financial instruments at fair value through the comprehensive income statement. Therefore, for these financial instruments, a change in interest rates would not affect profit or loss or equity. Exposure to interest rate risk arises primarily through the Commission's interest-bearing liabilities. The interest rate risk impact is not significant.

(e) Fair value measurement

Fair value compared to carrying amount.

i. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability.

ii. Fair value recognised in the Statement of Financial Position.

Management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their fair values, largely due to the short-term maturities of these instruments.

(f) Uncertainty in WIP and Debtor valuation

The actuarial assessment of WIP and Debtors includes a sensitivity analysis (see table below). This analysis is intended to provide an indication of the general level of uncertainty within the actuarial valuation. It should be noted that these sensitivities are illustrations only – they are not necessarily mutually exclusive and outcomes outside of these ranges are possible. As can be seen from the table below:

- For the assessment of outstanding legal creditors (WIP), the actuarial valuation assumes work was completed on average half way between the service from and service to date (if available) or the start and end date as denoted on the invoice.
  If this assumption was changed to allow for disruptions in the schedule of work between the start and end dates, the liability may also change by around $2m.
- For the assessment of outstanding legal debtors, a 1% (absolute) increase in discount rates will decrease the value of the secured debtors' asset by $0.5m.

Sensitivity Analysis

		Net provision	Impact	
		$m	**$m**	**%**
Creditors				
Base scenario (Work completed and date assumed to be midway between Start and End date)		15.1		
Work completed and date assumed to be 2/5ths between Start and End date		17.0	1.9	13
Work completed and date assumed to be 3/5ths between Start and End date		12.7	(2.3)	-16
Secured Debtors				
Base scenario		8.8		
Ultimate debt recoverability	-2%	8.5	(0.3)	-3
	+1%	8.3	(0.5)	-6
Discount rate (absolute change)	- 1%	9.3	0.6	6

22 RELATED PARTY DISCLOSURE

The Commission's key management personnel compensation is as follows:

	2022 $'000	2021 $'000
Short-term employee benefits:		
Salaries	637	589
Total Remuneration	**637**	**589**

The key management personnel and their compensation disclosure are limited to the key decision-makers (i.e., Chief Executive Officer, and Board Members of the Commission). During the year, no transactions were entered into with key management personnel, their close family members and controlled or jointly controlled entities thereof.

Government-related entities

During the year, the Commission entered into transactions with other entities that are controlled/jointly controlled/significantly influenced by the NSW Government. These transactions in aggregate are a significant portion of the Commission's rendering of services and receiving of services.

These transactions include:

- long service leave and defined benefit superannuation assumed by the Crown
- transactions relating to the treasury banking system
- employer contributions paid to defined benefit superannuation funds
- payments into the treasury managed fund for workers' compensation insurance and other insurances
- significant transactions with the NSW Department of Communities and Justice, and
- property lease rental payments to Property and Development NSW.

23 EVENTS AFTER REPORTING PERIOD

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

END OF AUDITED FINANCIAL STATEMENTS

Other information (unaudited)

1 PAYMENT PERFORMANCE

(a) Payment to creditors

Legal Aid NSW processed 99.58% of invoices received within 30 days in 2021–22, an increase compared with 99.46% in 2020–21.

	2021–22		2020–21	
Period	**Invoices**	**%**	**Invoices**	**%**
Within 30 days	145,555	99.58%	147,342	99.46%
Over 30 days	620	0.42%	803	0.54%
Total	**146,175**	**100%**	**148,145**	**100%**

Accounts paid within 30 days by quarter is as follows.

Accounts paid within 30 days by quarter	Target %	Achieved %	Amount paid within 30 days $'000	Total amount paid $'000
September	100.00	99.51%	74,254	76,699
December	100.00	99.61%	61,792	62,230
March	100.00	99.54%	75,665	76,736
June	100.00	99.63%	74,171	75,077

(b) Ageing of creditors

Aged creditors analysis at end of each quarter is as follows.

	$'000	$'000	$'000	$'000
Quarter	**Current**	**31–60 Days**	**61–90 Days**	**> 90 Days**
September	2,556	0	1	1
December	1,002	0	1	1
March	2,815	142	2	1
June	1,347	0	0	48

(c) Consultancies

Consultancy projects equal to or more than $50,000:

Nil

Consultancy projects less than $50,000

Legal Aid NSW engaged eight consultants for individual projects costing less than $50,000 per project during 2021–22. The total cost of these consultancies was $132,000. This was less than the 2020–21 total cost of $171,000.

2 ANNUAL REPORTING LEGISLATION REQUIREMENTS

As required by the *Legal Aid Commission Act 1979* (NSW), Legal Aid NSW administers a Legal Aid Fund and a Trust Account. All monies received for and on behalf of legally assisted clients are deposited into the Trust Account. All other monies are paid into the Legal Aid Fund.

Overseas visits

Nil

Charitable and deductible gift

Recipient institution

Legal Aid NSW is a charitable institution and a deductible gift recipient institution under the *Income Tax Assessment Act 1997* (Cth). Gifts to Legal Aid NSW of monies or property with a value of $2, or more, may be claimed by the donor as a tax deduction.

Unclaimed monies

Pursuant to the *Government Sector Finance Act 2018* (NSW), all unclaimed monies are forwarded to the Treasury for credit to the Consolidated Fund and are available for refund from that account. No unclaimed amounts have been held in the accounts of Legal Aid NSW.

Risk management

Legal Aid NSW maintains insurance policies for workers compensation, motor vehicles, miscellaneous property and public liability with icare NSW. The 2021–22 premium for workers compensation insurance decreased by 9% from $609,700 to $556,071 in 2021–22. The premium for the other insurance types increased to $274,348, compared to $236,000 in 2020–21.

Motor vehicle claims

The number of motor vehicle claims in 2021–22 was 14, an increase/decrease compared to the number of six in 2020–21. This incurred a net cost of $35,160.28, an increase/decrease compared with a net cost of $31,785.26 in 2020–21. The average number of vehicles in the Legal Aid NSW fleet is 79, an increase compared with 75 in 2020–21. This results in an average claim cost per vehicle of $2,511.45 compared with $5,297.54 in 2020–2021.

The 2021–2022 deposit premium for motor vehicles was $74,000, an increase compared with the 2020–21 deposit premium of $62,800.

Investment performance

Legal Aid NSW is authorised under section 65 of the *Legal Aid Commission Act 1979* (NSW) to invest funds that are not immediately required. The avenues of investment are restricted to any securities approved by the Treasurer on the recommendation of the Minister. Legal Aid NSW is part of the Treasury Banking System. Legal Aid NSW provides for its daily expenditure needs via an on-call bank account. Legal Aid NSW's current banker is the Westpac Banking Corporation.