

3 September 2008

## **LEGAL COSTS COMMITTEE ANNUAL REPORT**

In accordance with the *Financial Management Act 2006*, I submit to the Honourable James Andrew McGinty BA B Juris (Hons) LLB JP MLA, Attorney General for the State of Western Australia, for information and presentation to Parliament, the Annual Report of the Legal Costs Committee of Western Australia for the period 1 July 2007 to 30 June 2008.

Ted Sharp  
**CHAIR**

# **LEGAL COSTS COMMITTEE**

## **ANNUAL REPORT**

**2007 - 2008**

## LEGAL COSTS COMMITTEE

The Legal Costs Committee was established following the proclamation of the *Acts Amendment (Legal Practitioners, Costs and Taxation) Act 1987* on 12 February 1988. The Committee is responsible under the *Legal Practice Act 2003 (the Act)* for making determinations for the remuneration of legal practitioners in respect of the matters specified under Part 13 Divisions 1 and 2 of the Act (as well as other legislation) in the following jurisdictions:

- ◆ Non-contentious business carried out by practitioners
- ◆ Supreme Court
- ◆ District Court
- ◆ Magistrates Court
- ◆ Official Prosecutions (Accused's Costs)
- ◆ Public Notaries

Prior to the establishment of the Legal Costs Committee those fees (except for the newer scales in relation to the Court of Petty Sessions (until the Magistrates Court was implemented) and Public Notaries) were set by the Judges of the Courts or by the Under Secretary for Law as the case required.

Since the proclamation of the Act, the jurisdiction of the Committee has altered in that by virtue of the *Magistrates Court Act 2004* and the *Magistrates Court (Civil Proceedings) Act 2004*, the Local Court and Court of Petty Sessions have ceased to exist and are now replaced by the Magistrates Court exercising both civil and criminal jurisdiction.

As set out below, the basis for the Legal Costs Committee's existence and jurisdiction in the next financial year will come under the Legal Profession Act 2008 (which is yet to be proclaimed).

During the period 1 July 2007 to 30 June 2008 the Committee consisted of:

Mr TH Sharp, Consultant, Freehills, Lawyers, as Chair;

Mr MJ McPhee, Principal Solicitor of Michell Sillar McPhee, Solicitors, as Deputy Chair (resigned 30 April 2008);

Ms A Gaffney, Chartered Accountant, RSM Bird Cameron Chartered Accountants;

Ms CH Thompson, Barrister, Francis Burt Chambers;

Mr M Cocker, Retired State Public Servant; and

Ms J Dudley, Lecturer in Politics, Murdoch University.

The Committee normally meets on a monthly basis in each financial year. In the

2007/2008 financial year, the Committee met on 9 occasions.

The Committee was able to complete six reviews resulting in the determinations listed in paragraph 1 below.

**1. Determinations - 2007/2008 Financial Year**

- (a) Legal Practitioners (Solicitors Cost) Determination 2007;
- (b) Legal Practitioners (Solicitors Non-Contentious Probate Costs) Determination 2007;
- (c) Legal Practitioners (Supreme Court) (Contentious Business) Determination 2008;
- (d) Legal Practitioners (District Court Appeals) (Contentious Business) Determination 2008;
- (e) Legal Practitioners (Magistrates Court) (Civil Jurisdiction) Determination 2008; and
- (f) Legal Practitioners (Magistrates Court) (Criminal Jurisdiction) Determination 2008.

**2. Determinations anticipated in 2008/2009 Financial Year**

The Committee anticipates that by virtue of its expanded jurisdiction under the Legal Profession Act 2008 (which is yet to be proclaimed) it will complete reviews and make determinations in respect of the following during the next financial year:

- (a) Legal Practitioners (State Administrative Tribunal);
- (b) Legal Practitioners (Family Court of Western Australia);
- (c) Legal Practitioners (Public Notaries); and
- (d) Legal Practitioners (Official Prosecutions) (Accused's Costs).

### 3. Performance Measures

<b>OUTPUT</b>	<b>2007/08</b>		
	<b>TARGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Quantity</b>	4	6	2
<b>Quality</b>	Not Assessed	Not Assessed	N/A
<b>Timeliness</b>	In accordance with statutory requirements.		
<b>Cost</b> (Average cost per determination)	\$27 335	\$17 884	\$9 451

### 4. Accounts and Performance Indicators

The annual accounts and performance indicators for the year ended 30 June 2008 are attached.

### 5. Report on Operations

The Legal Costs Committee does not employ staff nor does it have its own premises. The facilities used by the Legal Costs Committee comply with the requirements listed under the *Financial Management Act 2006* and are provided by either the Department of the Attorney General or the Department of the Premier and Cabinet.

### 6. General Comments

The year 2007/2008 saw the Committee's deliberations in respect of the Determinations referred to in paragraph 1 consist mainly of a consolidatory nature in that no significant issues or developments came to light which required any new methods of review on the Committee's part.

In particular, the Committee considered it was worthwhile to align the review dates and Determinations for the principal litigious jurisdictions to maintain a consistent relativity between the hourly rates for practitioners in the various jurisdictions

Consequently six reviews and six determinations were completed for the financial year 2007/2008.

The Committee continues to hold the view that whilst it might be considered the biennial review process required by statute is too frequent, the Committee is mindful also that it can be unfair on successful litigants, be they plaintiffs or defendants, if the scales do not adequately reward their legal representatives.

As pointed out in previous Reports, this can leave the litigants themselves possibly having to fund a wider gap between the fees they have contracted to pay to their legal representatives and the amount the latter can recover on behalf of their clients from the other side.

I would like to record the Committee's appreciation for the input provided to it by the Chief Justice of the Supreme Court of Western Australia, the Chief Judge of the District Court, the Chief Magistrate, the Law Society of Western Australia, the Western Australian Bar Association, their employees and committees to the reviews of the above scales.

The Members of the Committee continue to work well and co-operatively with their overall duty to implement the Committee's charter under the Legal Practice Act 2003 as their consistent goal.

I note in particular, that Michael McPhee's contribution to the Committee's deliberations will be missed now that he has resigned.

Finally, I make the point, that the Committee's workload can vary in any one year for unforeseen reasons and the performance indicators should always be considered with that in mind.

## **7. Executive Assistance**

The Committee acknowledges the valuable help and assistance provided during the year by Mr Brian Bennett of the Department of the Attorney General. Mr Bennett has offered the Committee, myself in particular, great assistance with the administration of the Committee and publication of our notices, reports and determinations.

I also wish to express the Committee's appreciation for the valuable assistance provided to it by Mr John Lightowlers of the Department of the Premier and Cabinet until his appointment as Acting Freedom of Information Commissioner.

The Committee therefore relies heavily on Mr Bennett and the resources of its Members to implement all necessary administrative and drafting functions it is obliged to carry out.

Ted Sharp  
**CHAIR**

**LEGAL COSTS COMMITTEE**  
**BUDGET ESTIMATES FOR 2008 / 09**

In accordance with the *Financial Management Act 2006* and pursuant to Treasurer's Instructions the budget estimates for the 2008/09 financial year, as submitted to the Honourable Attorney General, are as follows:

**LEGAL COSTS COMMITTEE**  
**BUDGETED STATEMENT OF FINANCIAL PERFORMANCE**

<b>COST OF SERVICES</b>	<b>\$</b>	
<b>Expenses from ordinary activities</b>		
Board members fees	45 110	
Superannuation	4 060	
Other expenses from ordinary activities	57 400	
<b>Total cost of services</b>	<b>106 570</b>	
<b>Revenues from ordinary activities</b>		
Grants from State agencies	64 500	
Other revenues from ordinary activities		0
<b>Total revenues from ordinary activities</b>	<b>64 500</b>	
<b>NET COST OF SERVICES</b>	<b>42 070</b>	
<b>REVENUES FROM GOVERNMENT</b>		
Resources received free of charge	40 000	
<b>Total revenues from Government</b>	<b>40 000</b>	
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS</b>		<b>(2 070)</b>

**LEGAL COSTS COMMITTEE**  
**PERFORMANCE INDICATORS**  
**2007 - 2008**

**OUTCOME**

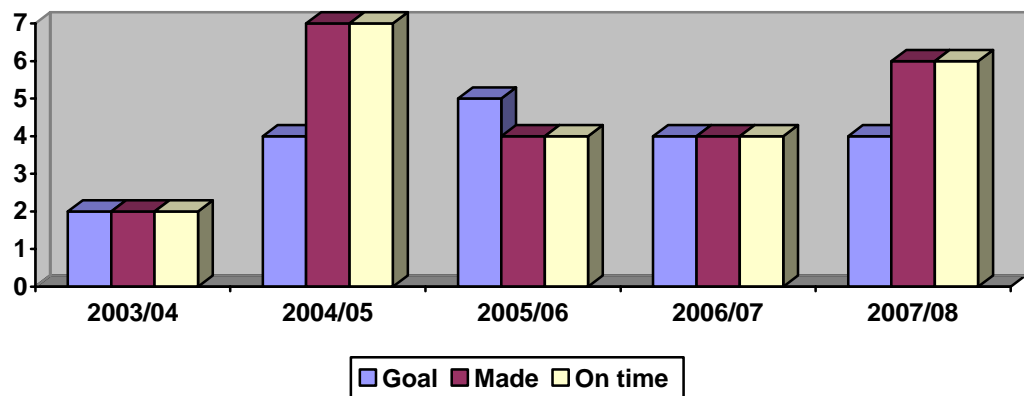
In accordance with Section 211 of the Legal Practice Act 2003, to review each determination in force at least once in the period of two years in the following jurisdictions:

- ◆ Supreme Court
- ◆ District Court (Appeals)
- ◆ Magistrates Courts
- ◆ Non-Contentious Probate Costs
- ◆ Solicitors Costs
- ◆ Official Prosecutions (Accused's Costs)
- ◆ Public Notaries

**EFFECTIVENESS INDICATOR**

The extent to which Legal Costs Committee determinations are completed in accordance with established deadlines, including the goals set at item 2 of the Annual Report for the year ended 30 June 2007.

**Performance Measure:** The number of Committee determinations made during the year and completed on time.



**The Committee stated its intention to make determinations during the financial year ended 30 June 2008 in respect of:**

- (a) Legal Practitioners (Solicitors Costs) Determination 2005;
- (b) Legal Practitioners (Solicitors Costs – Non Contentious Probate Costs) Determination 2005;
- (c) Legal Practitioners (Supreme Court) (Contentious Business) Determination 2006; and
- (d) Legal Practitioners (District Court Appeals) (Contentious Business) Determination 2006.

The Legal Costs Committee does not employ staff but the administrative function is undertaken at no cost by staff from the Department of the Attorney General. As such, the development of further effectiveness indicators would not be meaningful or relevant.

### **EFFICIENCY INDICATOR**

Efficiency Indicator measures cost per Determination.

- (a) Two Determinations were made in the 2003/2004 financial year at a cost of \$45,582 per Determination.
- (b) Seven Determinations were made in the 2004/2005 financial year at a cost of \$15,405 per Determination.
- (c) Four Determinations were made in the 2005/2006 financial year at a cost of \$25,557 per Determination.
- (d) Four Determinations were made in the 2006/2007 financial year at a cost of \$26,737 per Determination.
- (e) Six Determinations were made in the 2007/2008 financial year at a cost of \$17,884 per Determination.

**LEGAL COSTS COMMITTEE**  
**KEY PERFORMANCE INDICATORS**  
**FOR THE YEAR ENDED 30 JUNE 2008**

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**Certification of Key Performance Indicators**

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Legal Costs Committee's performance, and fairly represent the performance of the Legal Costs Committee for the financial year ended 30 June 2008.

T Sharp  
Accountable Authority  
Date: September 2008

LEGAL COSTS COMMITTEE  
**Income Statement**  
*For the year ended 30 June 2008*

	Note	2008 \$	2007 \$
<b>COST OF SERVICES</b>			
<b>Expenses</b>			
Board member fees and entitlements	4	50,930	49,586
Other expenses	5	56,372	57,363
<b>Total cost of services</b>		<b>107,302</b>	<b>106,949</b>
<b>NET COST OF SERVICES</b>		<b>107,302</b>	<b>106,949</b>
<b>INCOME FROM STATE GOVERNMENT</b>			
	6		
Grant from the Department of the Attorney General		64,500	63,800
Resources received free of charge		40,049	40,061
<b>Total income from State Government</b>		<b>104,549</b>	<b>103,861</b>
<b>SURPLUS/(DEFICIT) FOR THE PERIOD</b>		<b>(2,753)</b>	<b>(3,088)</b>

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

LEGAL COSTS COMMITTEE  
**Balance Sheet**  
*For the year ended 30 June 2008*

	Note	2008 \$	2007 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	45,803	40,886
Receivables	7	1,258	1,304
<b>Total Current Assets</b>		<u>47,061</u>	<u>42,190</u>
<b>TOTAL ASSETS</b>		<u>47,061</u>	<u>42,190</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	8	7,726	102
<b>Total Current Liabilities</b>		<u>7,726</u>	<u>102</u>
<b>TOTAL LIABILITIES</b>		<u>7,726</u>	<u>102</u>
<b>NET ASSETS</b>		<u>39,335</u>	<u>42,088</u>
<b>EQUITY</b>			
	9		
Accumulated surplus		<u>39,335</u>	<u>42,088</u>
<b>TOTAL EQUITY</b>		<u>39,335</u>	<u>42,088</u>

The Balance Sheet should be read in conjunction with the accompanying notes.

LEGAL COSTS COMMITTEE

**Statement of Changes in Equity**

*For the year ended 30 June 2008*

	Note	<b>2008</b> \$	<b>2007</b> \$
<b>BALANCE OF EQUITY AT START OF PERIOD</b>		<u>42,088</u>	<u>45,176</u>
<b>Accumulated Surplus</b>	9		
Balance at start of period		42,088	45,176
Deficit for the period		<u>(2,753)</u>	<u>(3,088)</u>
Balance at end of period		<u>39,336</u>	<u>42,088</u>
<b>BALANCE OF EQUITY AT END OF PERIOD</b>		<u>39,336</u>	<u>42,088</u>
Total income and expense for the period <sup>(a)</sup>		<u>(2,753)</u>	<u>(3,088)</u>

<sup>(a)</sup> The aggregate net amount attributable to each category of equity is : Deficit 2,753; (2007: Deficit (3,088))

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

LEGAL COSTS COMMITTEE  
**Cash Flow Statement**  
*For the year ended 30 June 2008*

	Note	2008 \$	2007 \$
<b>CASH FLOWS FROM STATE GOVERNMENT</b>			
Grant from the Department of the Attorney General		64,500	63,800
<b>Net cash provided by State Government</b>		<u>64,500</u>	<u>63,800</u>
<b>Utilised as follows:</b>			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Payments</b>			
Payments to members and suppliers		(59,628)	(66,786)
GST payments on purchases		(2,448)	(2,329)
<b>Receipts</b>			
GST receipts from taxation authority		<u>2,493</u>	<u>1,576</u>
<b>Net cash used in operating activities</b>	10	<u>(59,583)</u>	<u>(67,539)</u>
<b>Net decrease in cash and cash equivalents</b>		4,917	(3,739)
Cash and cash equivalents at start of period		<u>40,886</u>	<u>44,625</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	10	<u>45,803</u>	<u>40,886</u>

The Cash Flow Statement should be read in conjunction with the accompanying notes.

## **1 Australian Equivalents to International Financial Reporting Standards**

### **General**

The financial statements for the Legal Costs Committee (the "Committee" for the purpose of these notes) for the year ended 30 June 2008 have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), which comprise a Framework for the Preparation and Presentation of Financial Statements (the Framework) and Australian Accounting Standards (including the Australian Accounting Interpretations).

In preparing these financial statements the Committee has adopted, where relevant to its operations, new and revised standards and interpretations from their operative dates as issued by the Australian Accounting Standards Board (AASB) and formerly the Urgent Issues Group (UIG).

### **Early Adoption of Standards**

The Council cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. No standards and interpretations that have been issued or amended but are not yet effective have been early adopted by the Council for the financial year ended 30 June 2008.

## **2 Summary of Significant Accounting Policies**

### **(a) General Statement**

The financial statements constitute a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's Instructions (TI's). Several of these are modified by the TI's to vary the application, disclosure, format and wording.

The Financial Management Act and the TI's are legislative provisions governing the preparation of financial statements and take precedence over the Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

### **(b) Basis of Preparation**

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest dollars (\$'000).

### **(c) Reporting Entity**

The reporting entity comprises the Committee and no other related bodies.

### **(d) Income**

#### **Revenue Recognition**

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Revenue is recognised at fair value when the Committee obtains control over the assets comprising the contributions, usually when cash is received.

Other non-reciprocal contributions that are not contributions by owners are recognised at their fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the balance sheet date, the nature of, and amounts pertaining to, those undischarged conditions are disclosed in the notes.

### **(e) Borrowing Costs**

Borrowing costs for qualifying assets are capitalised net of any investment income earned on the unexpended portion of the borrowings. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Committee's outstanding borrowings during the year, in this case 6.3% (2007: 6.3%)

**(f) Financial Instruments**

The Committee has two categories of financial instrument, in addition to cash and bank overdraft:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

These have been disaggregated into the following classes:

**Financial Assets**

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services

**Financial Liabilities**

- Payables
- Bank overdraft
- WATC/Bank borrowings
- Other borrowings
- Finance lease liabilities
- Amounts due to the Treasurer

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or the face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

**(g) Cash and Cash Equivalents**

For the purpose of the Cash Flow Statement, cash and cash equivalents include restricted cash and cash equivalents.

Cash and cash equivalents are comprised of cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value.

**(h) Receivables**

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Committee will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

**(i) Payables**

Payables are recognised at the amounts payable when the Committee becomes obliged to make future payments as a result of a purchase of assets or services.

The carrying amount is equivalent to fair value, as they are generally settled within 30 days.

**(j) Borrowings**

All loans payable are initially recognised at cost, being the fair value of the net proceeds received. Subsequent measurement is at amortised cost using the effective interest rate method.

**(k) Amounts Due to the Treasurer**

The amount due to the Treasurer is in respect of a Treasurer's Advance. Initial recognition and measurement, and subsequent measurement, is at the amount repayable. Although there is no interest charged, the amount repayable is equivalent to fair value as the period of the borrowing is for less than 12 months with the effect of discounting not being material.

**(l) Provisions**

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date.

**Provisions- Employee Benefits**

The liability for annual and long service leave expected to be settled within 12 months after the balance sheet date is recognised and measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Annual and long service leave expected to be settled more than 12 months after the balance sheet date is measured at the present value of the amounts expected to be paid when the liabilities are settled.

The expected future payments are discounted using market yields at the balance sheet date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The Government Employees Superannuation Board (GESB) administers the following superannuation schemes.

Employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme also closed to new members.

The Committee has no liabilities under the Pension or the GSS Schemes. The liabilities for the unfunded Pension Scheme and the unfunded GSS Scheme transfer benefits due to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS Scheme obligations are funded by

concurrent contributions made by the Committee to the GESB. The concurrently funded part of the GSS Scheme is a defined contribution scheme as these contributions extinguish all liabilities in respect of the concurrently funded GSS Scheme obligations.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS Schemes became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Committee makes concurrent contributions to GESB on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESBS Schemes. The GESB makes all benefit payments in respect of the Pension and GSS Schemes, and is recouped by the Treasurer for the employer's share.

**(m) Superannuation Expense**

The superannuation expense in the Income Statement represents defined contribution plans - Employer contributions paid to the West State Superannuation (WSS) Scheme and the Government Employees Superannuation Board Super (GESBS) Scheme.

Members of the Committee commencing employment prior to 16 April 2007 became non-contributory members of the WSS Scheme. Members of the Committee commencing employment on or after 16 April 2007 became members of the GESBS Scheme. Both of these schemes are accumulation schemes. The Committee makes concurrent contributions to the Government Employees Superannuation Board (GESB) on behalf of members of the Committee in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. The WSS Scheme and the GESBS Scheme are defined contribution schemes as these contributions extinguish all liabilities in respect of the WSS Scheme and the GESBS Scheme.

The superannuation expense does not include payment of pensions to retirees, as this does not constitute part of the cost of services provided by the Committee in the current year.

**(n) Resources Received Free of Charge**

Resources received free of charge that can be reliably measured are recognised as income and as assets or expenses as appropriate, at fair value.

**3 Disclosure of Changes in Accounting Policy and Estimates**

**Initial application of an Australian Accounting Standard**

The Committee has applied the following Australian Accounting Standards and Australian Accounting Interpretations effective for annual reporting periods beginning on or after 1 July 2007 that impacted on the Committee:

1. AASB 7 'Financial Instruments: Disclosures' (including consequential amendments in AASB 2005-10 'Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]'). This Standard requires new disclosures in relation to financial instruments and while there is no financial impact, the changes have resulted in increased disclosures, both quantitative and qualitative, of the Committee's exposure to risks, including enhanced disclosure regarding components of the Committee's financial position and performance, and changes to the way of presenting certain items in the notes to the financial statements.

**Future Impact of Australian Accounting Standards not yet operative**

The Committee cannot early adopt an Australian Accounting Standard or Australian Accounting Interpretation unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements'. Consequently, the Committee has not applied the following Australian Accounting Standards and Australian Accounting Interpretations that have been issued and which may impact the Committee but are not yet effective. Where applicable, the Committee plans to apply these Standards and Interpretations from their application date:

Title	Operative for reporting periods beginning on/after
Interpretation 1038 'Contributions by Owners Made to Wholly-Owned Public Sector Entities'	
The existing requirements in AAS27, AAS 29 and AAS 31 have been transferred to the above new and existing topic-based Standards and Interpretation. These requirements remain substantively unchanged. The new and revised Standards make some modifications to disclosures, otherwise there will be no financial impact.	1 July 2008

**Comparative Figures**

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

LEGAL COSTS COMMITTEE  
**Notes to the Financial Statements**  
For the year ended 30 June 2008

	2008 \$	2007 \$
<b>4 Board Member Fees and Entitlements</b>		
Board member fees	47,338	45,994
Superannuation (West State)	3,592	3,592
	<u>50,930</u>	<u>49,586</u>
<b>5 Other Expenses</b>		
Advertising expenses	2,878	5,986
Resources received free of charge (Note 6)	40,049	40,061
Notice publication expenses	5,622	3,679
Other expenses <sup>(a)</sup>	7,823	7,637
	<u>56,372</u>	<u>57,363</u>
<sup>(a)</sup> Includes audit fee		
<b>6 Income from State Government</b>		
Grant from the Department of the Attorney General	64,500	63,800
	<u>64,500</u>	<u>63,800</u>
Resources received free of charge <sup>(a)</sup>		
Determined on the basis of the following estimates provided by agencies:		
Department of the Attorney General		
- financial services	3,928	3,940
- secretarial and management support	36,121	36,121
	<u>40,049</u>	<u>40,061</u>
	<u>104,549</u>	<u>103,861</u>
<sup>(a)</sup> Where assets or services have been received free of charge or for nominal cost, the Committee recognises revenue (except where the contributions of assets or services are in the nature of contributions by owners in which case the Committee shall make a direct adjustment to equity) equivalent to the fair value of the assets and/or the fair value of those services that can be reliably determined and which would have been purchased if not donated, and those fair values shall be recognised as assets or expenses, as applicable.		
<b>7 Receivables</b>		
GST receivable	1,258	1,304
	<u>1,258</u>	<u>1,304</u>
<b>8 Payables</b>		
Trade and other creditors	7,726	102
	<u>7,726</u>	<u>102</u>

**9 Equity**

Equity represents the residual interest in the net assets of the Committee. The Government holds the equity interest in the Committee on behalf of the community.

Accumulated surplus		
Balance at start of period	42,088	45,176
Result for the period	(2,753)	(3,088)
Balance at end of period	39,335	42,088
	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>

**10 Notes to the Cash Flow Statement**

Reconciliation of cash

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

Cash and cash equivalents	45,803	40,886
	45,803	40,886

Reconciliation of net cost of services to net cash flows used in operating activities

Net cost of services	(107,302)	(106,949)
Non-cash items:		
Resources received free of charge	40,049	40,061
Increase/(decrease) in liabilities:		
Current payables	7,624	102
Net change in GST receivable	44	(753)
Net cash used in operating activities	(59,583)	(67,539)

**11 Explanatory Statement**

Significant variations between estimates and actual results for income and expense are shown below. Explanations are provided in accordance with TI 945. Significant variations are considered to be those greater than 5% or \$7,000.

**Significant variances between estimate and actual for 2008 - Total appropriation to deliver services:**

There are no significant variances between the estimates and the actuals for 2007/2008.

**Significant variances between actuals for 2007 and 2008 - Total appropriation to deliver services:**

There are no significant variances between the actuals for 2006/2007 and 2007/2008.

	Weighted average interest rate	Variable Interest Rate	Non- Interest Bearing	Within 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Adjustment for discounting	Total
2008	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>											
Cash and cash equivalent assets			0								-
Restricted cash and cash equivalent assets	4.5										-
Receivables											-
Loans and advances			0								-
Amounts receivable for services											-
Total financial assets			-	-	-		-	-	-	-	-
<b>Financial liabilities</b>											
Payables			-								-
Other borrowings											
Finance lease	10.6								-		-
Total financial liabilities			-	-	-		-	-	-	-	-
Net financial asset/(liabilities)			-	-	-		-	-	-	-	-
	Weighted average interest rate	Variable Interest Rate	Non- Interest Bearing	Within 1 year	1-2 years	2 - 3 years	3 - 4 years	4 - 5 years	Over 5 years	Adjustment for discounting	Total

2007	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>											
Cash and cash equivalent assets			40,886								40,886
Restricted cash and cash equivalent assets											-
Receivables			1,304								1,304
Loans and advances											-
Amounts receivable for services											-
Total financial assets			42,190	-	-		-	-	-	-	42,190
<b>Financial liabilities</b>											
Payables			102								102
Other borrowings											-
Finance lease 10.6											-
Total financial liabilities			102	-	-		-	-	-	-	102
Net financial assets/(liabilities)			42,088	-	-		-	-	-	-	42,088

a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable)

The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities

## 12 Financial Instruments

### (a) Financial Risk Management Objectives and Policies

Financial instruments held by the Committee are cash and cash equivalents, restricted cash and cash equivalents, borrowings, finance leases, Treasurer's advances, loans and receivables, and payables. The Committee has limited exposure to financial risks. The Committee's overall risk management program focuses on managing the risks identified below.

Credit risk arises when there is the possibility of the Committee's receivables defaulting on their contractual obligations resulting in financial loss to the Committee. The Committee measures credit risk on a fair value basis and monitors risk on a regular basis.

The maximum exposure to credit risk at balance sheet date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment as shown in the table at Note 44(c). Credit risk associated with the Committee's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). For receivables other than government, the Committee trades only with recognised, creditworthy third parties. The Committee has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis with the result that the Authority's exposure to bad debts is minimal. There are no significant concentrations of credit risk.

Provision for impairment of financial assets is calculated based on past experience, and current and expected changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 24

The Committee is exposed to liquidity risk through its trading in the normal course of business. Liquidity risk arises when the Authority is unable to meet its financial obligations as they fall due. The Authority has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

The Committee does not trade in foreign currency and is not materially exposed to other price risks (for example, equity securities or commodity prices changes). The Authority's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations. The Committee's borrowings are all obtained through the Western Australian Treasury Corporation (WATC) and are at fixed rates with varying maturities. The risk is managed by WATC through portfolio diversification and variation in maturity dates. Other than as detailed in the Interest rate sensitivity analysis table at Note 44(c), the Committee is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are noninterest bearing and have no borrowings other than the Treasurer's advance (non-interest bearing), WATC borrowings and finance leases (fixed interest rate).

### (b) Categories of Financial Instruments

In addition to cash and bank overdraft, the carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash and cash equivalents	45,803	40,886
Restricted cash and cash equivalents		
Loans and receivables(a)	1,258	1,304
	<u>47,061</u>	<u>42,190</u>
<b>Financial Liabilities</b>		
Bank overdraft		
Financial liabilities measured at amortised cost	7,726	102
	<u>7,726</u>	<u>102</u>

(a) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable).

### (c) Financial Instruments Disclosure

The following table details the exposure to liquidity risk and interest rate risk as at the balance sheet date. The Committee's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets as shown on the following table. The table is based on information provided to senior management of the Committee. The contractual maturity amounts in the table are representative of the undiscounted amounts at the balance sheet date. An adjustment for discounting has been made where material.

The Committee does not hold any collateral as security or other credit enhancements relating to the financial assets it holds.

The Committee does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

	2008	2007
<b>13 Remuneration of Members of the Committee</b>		
<u>Remuneration of Members of the Committee</u>		
The number of members of the Committee, whose total of fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands, are:		
\$ 0 - \$ 10,000	5	5
\$ 10,001 - \$ 20,000	1	1
Total remuneration of members of the Committee:	<u>\$50,930</u>	<u>\$49,586</u>

The total remuneration includes the superannuation expense incurred by the Committee in respect of members of the Committee.

No member of the Committee is a member of the Pension Scheme.

#### 14 Remuneration of Auditor

Remuneration payable to the Auditor General for the financial year is as follows:

Auditing the accounts, financial statements and performance indicators	<u>\$7,500</u>	<u>\$6,800</u>
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The expense is included in note 5 'Other Expenses'.

#### 15 Supplementary Financial Information

- . There were no losses of public moneys or other public property through theft or default during the financial year (2007: nil).
- . There were no write offs of public money or other public property during the financial year (2007: nil).
- . There were no gifts of public property during the financial year (2007: nil).
- . There were no contingent liabilities as at 30 June 2008 (2007: nil).
- . There were no events occurring after the balance date at the end of the financial year.
- . The Committee had no related bodies during the financial year (2007: nil).
- . The Committee had no affiliated bodies during the financial year (2007: nil).



## Auditor General

### **INDEPENDENT AUDIT OPINION**

#### **To the Parliament of Western Australia**

#### **LEGAL COSTS COMMITTEE FINANCIAL STATEMENTS AND KEY PERFORMANCE INDICATORS FOR THE YEAR ENDED 30 JUNE 2008**

I have audited the accounts, financial statements, controls and key performance indicators of the Legal Costs Committee.

The financial statements comprise the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, a summary of significant accounting policies and other explanatory Notes.

The key performance indicators consist of key indicators of effectiveness and efficiency.

#### **Committee's Responsibility for the Financial Statements and Key Performance Indicators**

The Committee is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions, and the key performance indicators. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and key performance indicators that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances; and complying with the Financial Management Act 2006 and other relevant written law.

#### **Summary of my Role**

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements, controls and key performance indicators based on my audit. This was done by testing selected samples of the audit evidence. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion. Further information on my audit approach is provided in my audit practice statement. Refer "<http://www.audit.wa.gov.au/pubs/Audit-Practice-Statement.pdf>".

An audit does not guarantee that every amount and disclosure in the financial statements and key performance indicators is error free. The term "reasonable assurance" recognises that an audit does not examine all evidence and every transaction. However, my audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the financial statements and key performance indicators.

## **Legal Costs Committee**

### **Financial Statements and Key Performance Indicators for the year ended 30 June 2008**

#### **Audit Opinion**

In my opinion,

- (i) the financial statements are based on proper accounts and present fairly the financial position of the Legal Costs Committee at 30 June 2008 and its financial performance and cash flows for the year ended on that date. They are in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Treasurer's Instructions;
- (ii) the controls exercised by the Committee provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions; and
- (iii) the key performance indicators of the Committee are relevant and appropriate to help users assess the Committee's performance and fairly represent the indicated performance for the year ended 30 June 2008.



COLIN MURPHY  
AUDITOR GENERAL  
15 September 2008