

LEGAL COSTS COMMITTEE

ANNUAL REPORT

2011 - 2012

6 September 2012

LEGAL COSTS COMMITTEE ANNUAL REPORT

In accordance with the *Financial Management Act 2006*, I submit to the Honourable Michael Mischin LLB (Hons), B Juris (Hons) MLC, 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 2011 to 30 June 2012.

A handwritten signature in black ink, appearing to read 'Ted Sharp', is positioned above the printed name.

Ted Sharp
CHAIR

LEGAL COSTS COMMITTEE

The Legal Costs Committee was first established following the proclamation of the *Acts Amendment (Legal Practitioners, Costs and Taxation) Act 1987* on 12 February 1988 (Initial Act). Subsequently, the Committee's jurisdiction was reaffirmed by the *Legal Practice Act 2003* and more recently, by Division 9 of Part 10 of the *Legal Profession Act 2008* (Act). The Committee is responsible under the Act for making determinations for the remuneration of legal practitioners in respect of the matters specified under Division 5 of Part 10 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;
- ◆ Family Court of Western Australia; and
- ◆ State Administrative Tribunal.

Prior to the establishment of the Legal Costs Committee those fees (except for a scale for 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 Initial 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 ceased to exist and were replaced by the Magistrates Court exercising both civil and criminal jurisdiction.

As well, by virtue of the Act, the Family Court of Western Australia and the State Administrative Tribunal were included as additional jurisdictions requiring the Committee's attention.

During the period 1 July 2011 to 30 June 2012 the Committee consisted of:

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

Ms A Gaffney, Chartered Accountant;

Ms CH Thompson, Barrister, Francis Burt Chambers;

Mr M Cocker, Retired State Public Servant;

Dr J Dudley, Senior Lecturer in Politics, Murdoch University; and

Mr M Curwood, Legal Practitioner, Curwood & Co.

The Committee normally meets on a monthly basis and in the 2011/2012 financial year, the Committee met on 9 occasions.

The Committee was able to complete one review resulting in the determination listed in paragraph 1 below.

1. Determinations – 2011/2012 Financial Year

Legal Practitioners (Public Notaries) Determination 2011.

2. Determinations anticipated in 2012/2013 Financial Year

The Committee anticipates that it will complete reviews and make determinations in respect of the following during the next financial year:

- (a) *Legal Practitioners (Supreme Court) (Contentious Business) Determination 2010;*
- (b) *Legal Practitioners (Supreme Court and District Court) (Criminal Jurisdictions) Determination 2010;*
- (c) *Legal Practitioners (District Court Appeals) (Contentious Business) Determination 2010;*
- (d) *Legal Practitioners (Magistrates Court) (Civil) Determination 2010;*
- (e) *Legal Practitioners (Magistrates Court) (Criminal) Determination 2010;*
- (f) *Legal Practitioners (State Administrative Tribunal) Determination 2010;*
- (g) *Legal Practitioners (Family Court of Western Australia) Determination 2010;*
- (h) *Legal Practitioners (Official Prosecutions)(Accused's Costs) Determination 2010; and*
- (i) *Legal Practitioners (Solicitors Costs) Determination 2011.*

3. Performance Measures

| OUTPUT | 2011/12 | | |
|---|--|---------------|-----------------|
| | TARGET | ACTUAL | VARIANCE |
| Quantity | 6 | 1 | 5 |
| Quality | Not Assessed | Not Assessed | N/A |
| Timeliness | In accordance with statutory requirements. | | |
| Cost (Average cost per determination) | \$20,632 | \$111,348 | \$90,716 |

4. Accounts and Performance Indicators

The annual accounts and performance indicators for the year ended 30 June 2012 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 Financial Year 2011/2012 has demonstrated the point previously made by the Committee; namely, that the Committee's target workload when compared to actual output can be quite misleading if taken at face value.

For example, in Financial Year 2011/2012, the Committee has sought to examine in broader detail, the premises on which legal work in the main litigious jurisdictions should be determined.

The Committee has taken notice of Judges and legal commentators suggesting that pure time costing can be criticised for rewarding inefficiencies in legal practices.

However, the Committee does not have the resources to ascertain the correctness or otherwise of such comments and the comparative advantages and disadvantages between fixed fee costs and time based costs based on any research of a credible academic nature.

Even so, the Committee has on its own initiative, undertaken to investigate the feasibility of introducing some fixed fee costs in a number of areas of practice by seeking the views of those parties it considers will be interested in the issue in addition to the views of the community sought in the usual way.

Consequently, because of the necessity to obtain as much information and feedback on the need or potential for fixed fee costs and the practical limitations on doing so, a number of Determinations due to have been made in Financial Year 2011/2012 will not be finalised until Financial Year 2012/2013.

If all, or a substantial number, of the Determinations referred to in Paragraph 2 above are finalised in the next financial year, it is clear that the Table set out in Paragraph 3 above will show a prolific, yet distorted actual output.

The Table should be considered with this in mind.

The Committee 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 President of the State Administrative Tribunal, the Chief Judge of the District Court, the Chief Judge of the Family Court of Western Australia, the Chief Magistrate, the Law Society of Western Australia, the Western Australian Bar Association, their employees and committees and other organizations including the Family Law Practitioners Association and the Criminal Lawyers Association of WA in respect of the Committee's reviews of the above scales.

Whilst the legal profession and the courts consistently provide input, unfortunately the wider community responses to the Committee's calls for submissions, when undertaking its reviews, are consistently minimal.

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 assistance provided to it by Mr Bennett's colleagues when he has been on leave.

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

The Committee notes the resignation of the Honourable Christian Porter as Attorney General for Western Australia and looks forward to working with the Honourable Michael Mischin as his successor as the Committee's responsible Minister.



Ted Sharp
CHAIR

LEGAL COSTS COMMITTEE

BUDGET ESTIMATES FOR 2012 / 13

In accordance with the *Financial Management Act 2006* and pursuant to Treasurer's Instructions the budget estimates for the 2012/13 financial year, as submitted to the Honourable Attorney General, are as follows:

LEGAL COSTS COMMITTEE BUDGETED STATEMENT OF FINANCIAL PERFORMANCE

| | |
|--|----------------|
| COST OF SERVICES | \$ |
| Expenses from ordinary activities | |
| Board members fees | 46 050 |
| Superannuation | 4 145 |
| Other expenses from ordinary activities | 75 280 |
| Total cost of services | 125 475 |
| Revenues from ordinary activities | |
| Grants from State agencies | 72 000 |
| Other revenues from ordinary activities | 0 |
| Total revenues from ordinary activities | 72 000 |
| NET COST OF SERVICES | 53 475 |
| REVENUES FROM GOVERNMENT | |
| Resources received free of charge | 54 000 |
| Total revenues from Government | 54 000 |
| TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH WA STATE GOVERNMENT AS OWNERS | 525 |



Auditor General

INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

LEGAL COSTS COMMITTEE

Report on the Financial Statements

I have audited the accounts and financial statements of the Legal Costs Committee.

The financial statements comprise the Statement of Financial Position as at 30 June 2012, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information.

Committee's Responsibility for the Financial Statements

The Committee is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Committee's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Committee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Legal Costs Committee at 30 June 2012 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Legal Costs Committee during the year ended 30 June 2012.

Controls exercised by the Legal Costs Committee are those policies and procedures established by the Committee to ensure 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.

Committee's Responsibility for Controls

The Committee is responsible for maintaining an adequate system of internal control to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities are in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Legal Costs Committee based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the adequacy of controls to ensure that the Committee complies with the legislative provisions. The procedures selected depend on the auditor's judgement and include an evaluation of the design and implementation of relevant controls.

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

Opinion

In my opinion, the controls exercised by the Legal Costs Committee are sufficiently adequate to 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 during the year ended 30 June 2012.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Legal Costs Committee for the year ended 30 June 2012.

The key performance indicators are the key effectiveness indicators and the key efficiency indicators that provide information on outcome achievement and service provision.

Committee's Responsibility for the Key Performance Indicators

The Committee is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions and for such controls as the Committee determines necessary to ensure that the key performance indicators fairly represent indicated performance.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing and Assurance Standards.

An audit involves performing procedures to obtain audit evidence about the key performance indicators. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments the auditor considers internal control relevant to the Committee's preparation and fair presentation of the key performance indicators in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the relevance and appropriateness of the key performance indicators for measuring the extent of outcome achievement and service provision.

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

Opinion

In my opinion, the key performance indicators of the Legal Costs Committee are relevant and appropriate to assist users to assess the Committee's performance and fairly represent indicated performance for the year ended 30 June 2012.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and Australian Auditing and Assurance Standards, and other relevant ethical requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Legal Costs Committee for the year ended 30 June 2012 included on the Committee's website. The Committee's management is responsible for the integrity of the Committee's website. This audit does not provide assurance on the integrity of the Committee's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL ASSURANCE SERVICES
Delegate of the Auditor General for Western Australia
Perth, Western Australia
13 September 2012



**Legal Costs Committee
of Western Australia**

Disclosures and Legal Compliance

Financial Statements

Certification of Financial Statements

For the year ended 30 June 2012

The accompanying financial statements of the Legal Costs Committee have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2012 and the financial position as at 30 June 2012.

At the date of signing we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.

A. Andersson

Mr. Alan Andersson
Chief Finance Officer

6 September 2012

A. A. Gaffrey

Ms. Angela Gaffrey
Member of Legal Costs Committee

7th September 2012

Ted Sharp

Mr. Ted Sharp
Chairperson of Legal Costs Committee

6 September 2012



LEGAL COSTS COMMITTEE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

| | Note | 2012 \$ | 2011 \$ |
|--|------|----------------|----------------|
| COST OF SERVICES | | | |
| Expenses | | | |
| Board member fees and entitlements | 4 | 49,586 | 49,586 |
| Other expenses | 5 | 61,762 | 63,224 |
| Total cost of services | | 111,348 | 112,810 |
| NET COST OF SERVICES | | 111,348 | 112,810 |
| Income from State Government | | | |
| | 6 | | |
| Service appropriation | | 68,800 | 67,000 |
| Resources received free of charge | | 47,657 | 45,934 |
| Total income from State Government | | 116,457 | 112,934 |
| SURPLUS/(DEFICIT) FOR THE PERIOD | | 5,109 | 124 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 5,109 | 124 |

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



LEGAL COSTS COMMITTEE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

| | Note | 2012 \$ | 2011 \$ |
|----------------------------------|------|---------------|---------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 11 | 39,207 | 37,176 |
| Receivables | 7 | 641 | 825 |
| Other assets | 8 | 40 | 40 |
| Total Current Assets | | <u>39,888</u> | <u>38,041</u> |
| TOTAL ASSETS | | <u>39,888</u> | <u>38,041</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 9 | - | 3,262 |
| Total Current Liabilities | | <u>-</u> | <u>3,262</u> |
| TOTAL LIABILITIES | | <u>-</u> | <u>3,262</u> |
| NET ASSETS | | <u>39,888</u> | <u>34,779</u> |
| EQUITY | | | |
| | 10 | | |
| Contributed equity | | 39,335 | 39,335 |
| Accumulated surplus/(deficit) | | 553 | (4,556) |
| TOTAL EQUITY | | <u>39,888</u> | <u>34,779</u> |

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



LEGAL COSTS COMMITTEE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

| | Note | Contributed equity \$ | Accumulated surplus/ (deficit) \$ | Total equity \$ |
|---|------|-----------------------------|--|--------------------|
| Balance at 1 July 2010 | 10 | <u>39,335</u> | <u>(4,680)</u> | <u>34,655</u> |
| Total comprehensive income for the period | | <u>-</u> | <u>124</u> | <u>124</u> |
| Balance at 30 June 2011 | | <u>39,335</u> | <u>(4,556)</u> | <u>34,779</u> |
| Balance at 1 July 2011 | | <u>39,335</u> | <u>(4,556)</u> | <u>34,779</u> |
| Total comprehensive income for the period | | <u>-</u> | <u>5,109</u> | <u>5,109</u> |
| Balance at 30 June 2012 | | <u>39,335</u> | <u>553</u> | <u>39,888</u> |

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



LEGAL COSTS COMMITTEE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

| | Note | 2012 \$ | 2011 \$ |
|--|------|-----------------|-----------------|
| CASH FLOWS FROM STATE GOVERNMENT | | | |
| Grant from the Department of the Attorney General | | 68,800 | 67,000 |
| Net cash provided by State Government | | 68,800 | 67,000 |
| Utilised as follows: | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments | | | |
| Payments to members and suppliers | | (66,953) | (63,614) |
| GST payments on purchases | | (2,344) | (2,005) |
| Receipts | | | |
| GST receipts from taxation authority | | 2,528 | 2,541 |
| Net cash provided by/(used in) operating activities | 11 | (66,769) | (63,078) |
| Net increase/(decrease) in cash and cash equivalents | | 2,031 | 3,922 |
| Cash and cash equivalents at the beginning of the period | | 37,176 | 33,254 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 11 | 39,207 | 37,176 |

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



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1 Australian Accounting Standards

General

The Legal Costs Committee's (the "Committee" for the purpose of these notes) financial statements for the year ended 30 June 2012 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' includes Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). The Committee has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Committee cannot adopt an Australian Accounting Standard earlier than the commencement date unless specifically permitted by Treasurer's instruction (TI) 1101 *Application of Australian Accounting Standards and Other Pronouncements*. There has been no early adoption of Australian Accounting Standards that have been issued or amended (but not yet operative) by the Committee for the annual reporting period ended 30 June 2012.

2 Summary of significant accounting policies

(a) General statement

The Committee is a not-for-profit reporting entity that prepares general purpose financial statements in accordance with the Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the TIs. Several of these are modified by the TIs to vary application, disclosure, format and wording.

The *Financial Management Act* and the TIs impose legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has had 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 dollar.

(c) Reporting entity

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

(d) Contributed Equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(e) Mission

The Committee's mission is to regularly review scales of legal costs in accordance with its governing legislation and to provide transparency in the manner in which those legal costs are determined.

(f) Income

Revenue Recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised for the major business activities as follows:

Grants, donations, gifts and other non-reciprocal contributions

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.

(g) Financial instruments

In addition to cash, the Committee has two categories of financial instrument:

- Receivables; and
- Payables

These have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Receivables

Financial Liabilities

- Payables

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.

(h) Cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent assets comprise cash on hand.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(i) Receivables

Receivables are recognised 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.

(j) Payables

Payables are recognised 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 settlement is generally within 30 days.

(k) Superannuation expense

The superannuation expense in the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), WSS, the GESBS, or other superannuation fund.

From 30 March 2012, existing members of the WSS or GESBS and new employees became able to choose their preferred superannuation fund. The Committee makes concurrent contributions to GESB or other funds on behalf of employees in compliance with the Commonwealth Government's Superannuation Guarantee (Administration) Act 1992. Contributions to these accumulation schemes extinguish the Committee's liability for superannuation charges in respect of employees who are not members of the Pension Scheme or GSS.

(l) Resources received free of charge or for nominal cost

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

(m) Comparative figures

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

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 effective for annual reporting periods beginning on or after 1 July 2011 that impacted on the Committee.

AASB 2009-12

Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretation 2, 4, 16, 1039 & 1052]

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

AASB 2010-4

Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101 & 134 and Interpretation 13]

The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is no longer required to be disclosed. There is no financial impact.

The amendments to AASB 101 clarify the presentation of the Statement of Changes in Equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity can be presented in either the Statement of Changes in Equity or the Notes. There is no financial impact.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

AASB 2010-5

Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretation 112, 115, 127, 132 & 1042]

This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

AASB 2010-6

Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & 7]

This Standard introduces additional disclosures relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.

AASB 1054

Australian Additional Disclosures

This Standard, in conjunction with *AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

AASB 2011-1

Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretation 2, 112 & 113]

This Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

Future impact of Australian Accounting Standards not yet operative

The Committee cannot adopt an Australian Accounting Standard earlier than the commencement date unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Committee has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Committee. Where applicable, the Committee plans to apply these Australian Accounting Standards and Interpretations from their application date.

| Title | Operative for reporting periods beginning on/after |
|--|--|
| <i>AASB 2009-11</i> <i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretation 10 & 12]</i> <i>[Modified by AASB 2010-7]</i> | 1 July 2013 |



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

AASB 1053 1 July 2013

Application of Tiers of Australian Accounting Standards

This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. There is no financial impact.

AASB 2010-2 1 July 2013

Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretation 2, 4, 5, 15, 17, 127, 129 & 1052]

This Standard makes amendments to Australian Accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.

AASB 2011-2 1 July 2013

Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements [AASB 101 & 1054]

This Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. There is no financial impact.

AASB 9 1 January 2013

Financial Instruments

This Standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*, introducing a number of changes to accounting treatments.

The Standard was reissued in December 2010. The Committee has not yet determined the application or the potential impact of the Standard.

AASB 2010-7 1 January 2013

Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretation 2, 5, 10, 12, 19 & 127]

This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB 9 in December 2010. The Committee has not yet determined the application or the potential impact of the Standard.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

| | | 2012 | 2011 |
|----------|---|----------------|----------------|
| | | \$ | \$ |
| 4 | Board members fees and entitlements | | |
| | Board member fees | 45,994 | 45,994 |
| | Superannuation (West State) | 3,592 | 3,592 |
| | | <u>49,586</u> | <u>49,586</u> |
| 5 | Other expenses | | |
| | Advertising expenses | 3,889 | 4,357 |
| | Resources received free of charge (Note 6) | 47,657 | 45,934 |
| | Notice publication expenses | 715 | 3,195 |
| | Other expenses ^(a) | 9,501 | 9,738 |
| | | <u>61,762</u> | <u>63,224</u> |
| | ^(a) Includes audit fee of \$8,800 (2012); \$8,500 (2011). | | |
| 6 | Income from State Government | | |
| | Grant from the Department of the Attorney General | 68,800 | 67,000 |
| | | <u>68,800</u> | <u>67,000</u> |
| | Resources received free of charge ^(a) | | |
| | Determined on the basis of the following estimates provided by agencies: | | |
| | Department of the Attorney General | | |
| | - secretarial and management support | 47,657 | 45,934 |
| | | <u>47,657</u> | <u>45,934</u> |
| | | <u>116,457</u> | <u>112,934</u> |
| | ^(a) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity. | | |
| 7 | Receivables | | |
| | <u>Current</u> | | |
| | GST receivables | 641 | 825 |
| | Total current | <u>641</u> | <u>825</u> |
| 8 | Other assets | | |
| | <u>Current</u> | | |
| | Prepayments | 40 | 40 |
| | Total current | <u>40</u> | <u>40</u> |
| 9 | Payables | | |
| | <u>Current</u> | | |
| | Trade and other creditors ^(a) | - | 3,262 |
| | Total current | <u>-</u> | <u>3,262</u> |

^(a) There were no trade creditors for the financial year 2011-2012.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10 Equity

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

| | <u>2012</u> | <u>2011</u> |
|--------------------------------------|---------------|----------------|
| | \$ | \$ |
| Contributed equity | | |
| Balance at start of period | 39,335 | 39,335 |
| Balance at end of period | <u>39,335</u> | <u>39,335</u> |
| Accumulated surplus/(deficit) | | |
| Balance at start of period | (4,556) | (4,680) |
| Result for the period | 5,109 | 124 |
| Balance at end of period | <u>553</u> | <u>(4,556)</u> |
| Total equity at end of period | <u>39,888</u> | <u>34,779</u> |

11 Notes to the Statement of Cash Flows

Reconciliation of cash

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

| | | |
|---------------------------|---------------|---------------|
| Cash and cash equivalents | <u>39,207</u> | <u>37,176</u> |
| | <u>39,207</u> | <u>37,176</u> |

Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

| | | |
|----------------------|-----------|-----------|
| Net cost of services | (111,348) | (112,810) |
|----------------------|-----------|-----------|

Non-cash items:

| | | |
|-----------------------------------|--------|--------|
| Resources received free of charge | 47,657 | 45,934 |
|-----------------------------------|--------|--------|

Increase/(decrease) in liabilities:

| | | |
|--|-----------------|-----------------|
| Current payables | (3,262) | 3,262 |
| Change in GST receivables | 184 | 536 |
| Net cash provided by/(used in) operating activities | <u>(66,769)</u> | <u>(63,078)</u> |



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

12 Explanatory statement

Significant variations between estimates and actual results for income and expense are shown below.

Significant variations are considered to be those greater than 5% or \$7,000.

Significant variances between estimate and actual result for the financial year:

| | Estimate 2012 \$ | Actual 2012 \$ | Variance \$ |
|--|------------------------|----------------------|----------------|
| Income | | | |
| Resources received free of charge | 52,000 | 47,657 | (4,343) |
| Expenses | | | |
| Advertising expenses | 6,500 | 3,889 | (2,611) |
| Resources received free of charge (Note 6) | 52,000 | 47,657 | (4,343) |
| Notice publication expenses | 4,200 | 715 | (3,485) |
| Other expenses | 10,900 | 9,501 | (1,399) |

Resources received free of charge (Note 6)

Resources free of charge were less than expected and the estimate was based on the data available at the time.

Advertising expenses

Advertising expenses were less than estimate mainly due to the delay in finalisation of reviews being conducted by the Committee leading to a delay in the advertising of subsequent reviews.

Notice publication expenses

The variance in notice publication expenses is mainly due to the delay in the finalisation of reviews conducted by the Committee and significant costs of publication of notices in the Government Gazette not being incurred.

Other expenses

This variance is mainly due to over estimation of Audit fees for 2011-12.

Significant variances between actual results for 2011 and 2012

| | Actual 2012 \$ | Actual 2011 \$ | Variance \$ |
|-----------------------------------|----------------------|----------------------|----------------|
| Income | | | |
| Resources received free of charge | 47,657 | 45,934 | 1,723 |
| Expenses | | | |
| Other expenses | 61,762 | 63,224 | (1,462) |

Resources received free of charge (Note 6)

The increase is mainly due to an increment in salaries as per the Public Service General Agreement during 2011-12.

Other expenses

The reduction in other expenses is largely due to the reduction in advertising expenses between 2011 and 2012 because of the delay in the finalisation of reviews being conducted by the Committee.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13 Financial instruments

(a) Financial risk management objectives and policies

Financial instruments held by the Committee are cash and cash equivalents, 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

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 maximum exposure to credit risk at the end of the reporting period 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 13(c) 'Financial Instruments Disclosures' and Note 7 'Receivables'.

The credit risk associated with the Committee's financial assets is minimal because the main receivable is the amounts receivable for services. The Committee trades only with recognised, creditworthy third parties. It 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 Committee's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Committee is unable to meet its financial obligations as they fall due. The Committee is exposed to liquidity risk through its trading in the normal course of business.

The Committee has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

The Committee is not exposed to interest rate risk because cash and cash equivalents are non-interest bearing and it has no borrowings.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the balance sheet date are:

| | <u>2012</u> | <u>2011</u> |
|---|---------------|---------------|
| | \$ | \$ |
| <u>Financial Assets</u> | | |
| Cash and cash equivalents | 39,207 | 37,176 |
| | <u>39,207</u> | <u>37,176</u> |
| <u>Financial Liabilities</u> | | |
| Financial liabilities measured at amortised cost ^(a) | - | 3,262 |
| | <u>-</u> | <u>3,262</u> |

^(a) There was a financial liability for the financial year 2011-2012 which was an accrual expense.

(c) Financial instruments disclosures

Credit risk

The following table details the Committee's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Committee's maximum exposure to credit risk at the balance sheet date is the carrying amount of the financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Committee.

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



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Ageing analysis of financial assets

| | Carrying Amount | Past due but not impaired | | | | | Impaired financial assets |
|---------------------------|-----------------|-------------------------------|---------------|------------|--------------------|-------------|---------------------------|
| | | Not past due and not impaired | Up to 1 month | 1-3 months | 3 months to 1 year | 1 - 5 years | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2012 | | | | | | | |
| Cash and cash equivalents | 39,207 | - | - | - | - | - | - |
| | 39,207 | 39,207 | | | | | |
| 2011 | | | | | | | |
| Cash and cash equivalents | 37,176 | - | - | - | - | - | - |
| | 37,176 | 37,176 | | | | | |



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Liquidity risk and interest rate exposure

The following table details the Committee's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amounts of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

| | Weighted average interest rate % | Interest rate exposure | | | | Nominal Amount | Maturity dates | | | | |
|------------------------------|----------------------------------|------------------------|---------------------|------------------------|----------------------|----------------|----------------|----------------------|-------------|-------------------|----|
| | | Carrying Amount | Fixed Interest Rate | Variable Interest Rate | Non-interest bearing | | Up to 1 month | 1-3 months to 1 year | 1 - 5 years | More than 5 years | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2012 | | | | | | | | | | | |
| Financial Assets | | | | | | | | | | | |
| Cash and cash equivalents | - | 39,207 | - | - | 39,207 | 39,207 | - | - | - | - | - |
| | | 39,207 | - | - | 39,207 | 39,207 | - | - | - | - | - |
| Financial Liabilities | | | | | | | | | | | |
| Payables | - | - | - | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - |



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Interest rate exposure and maturity analysis of financial assets and financial liabilities

| | Weighted average interest rate % | Interest rate exposure | | | Maturity dates | | | | | |
|------------------------------|----------------------------------|------------------------|---------------------|------------------------|----------------------|---------------|----------------------|--------------------|-------------|-------------------|
| | | Carrying Amount | Fixed Interest Rate | Variable Interest Rate | Non-interest bearing | Up to 1 month | 1-3 months to 1 year | 3 months to 1 year | 1 - 5 years | More than 5 years |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 2011 | | | | | | | | | | |
| <u>Financial Assets</u> | | | | | | | | | | |
| Cash and cash equivalents | - | 37,176 | - | - | 37,176 | - | - | - | - | - |
| | | 37,176 | - | - | 37,176 | - | - | - | - | - |
| <u>Financial Liabilities</u> | | | | | | | | | | |
| Payables | - | 3,262 | - | - | 3,262 | - | - | - | - | - |
| | | 3,262 | - | - | 3,262 | - | - | - | - | - |

Interest rate sensitivity analysis

The Committee is not exposed to interest rate risk because cash and cash equivalents and restricted cash are non-interest bearing.

Fair values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.



LEGAL COSTS COMMITTEE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

| | 2012 | 2011 |
|---|-----------------|-----------------|
| 14 Remuneration of members of the accountable authority | | |
| <p>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:</p> | | |
| \$ | | |
| 0 - 10,000 | 5 | 5 |
| 10,001 - 20,000 | 1 | 1 |
| Total remuneration of members of the Committee ^(a) | \$49,586 | \$49,586 |

^(a) The total remuneration includes the superannuation expense incurred by the Committee in respect of members of the Committee.

No members of the Committee are members of the Pension Scheme.

15 Remuneration of auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

| | | |
|---|----------------|----------------|
| Auditing the accounts, financial statements and performance indicators. | \$8,800 | \$8,500 |
|---|----------------|----------------|

16 Contingent liabilities and contingent assets

There were no contingent liabilities as at 30 June 2012 (2011: nil).

17 Events occurring after the end of the reporting period

There were no events occurring after the balance date at the end of the financial year.

18 Related bodies

The Committee had no related bodies during the financial year (2011: nil).

19 Affiliated bodies

The Committee had no affiliated bodies during the financial year (2011: nil).

20 Supplementary financial information

There were no losses of public moneys and public and other property through theft or default during the financial year (2011: nil).

There were no write offs of public moneys or other public property during the financial year (2011: nil).

There were no gifts of public property during the financial year (2011: nil).



LEGAL COSTS COMMITTEE
KEY PERFORMANCE INDICATORS
FOR THE YEAR ENDED 30 JUNE 2012

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 2012.



T Sharp
Accountable Authority
Date: 6 September 2012



LEGAL COSTS COMMITTEE
PERFORMANCE INDICATORS
2011 - 2012

OUTCOME

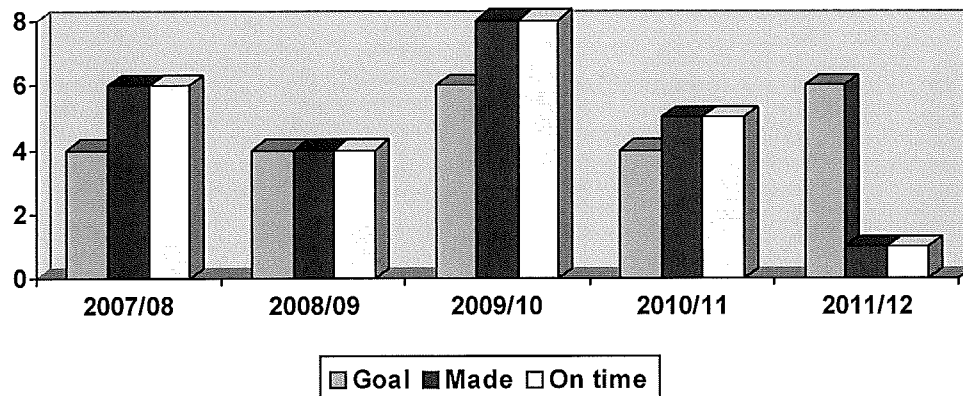
In accordance with Section 276 of the Legal Profession Act 2008, to review each determination in force at least once in the period of two years in the following jurisdictions:

- ◆ Supreme Court (Contentious Business)
- ◆ District Court (Appeals) (Contentious Business)
- ◆ Supreme Court & District Court (Criminal)
- ◆ Magistrates Court (Civil)
- ◆ Magistrates Court (Criminal)
- ◆ Non-Contentious Probate Costs
- ◆ Solicitors Costs
- ◆ Official Prosecutions (Accused's Costs)
- ◆ Public Notaries
- ◆ State Administrative Tribunal
- ◆ Family Court of Western Australia

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 2011.

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 2012 in respect of:

- (a) Legal Practitioners (Supreme Court) (Contentious Business);
- (b) Legal Practitioners (Supreme Court & District Court) (Criminal Jurisdictions);
- (c) Legal Practitioners (District Court Appeals) (Contentious Business);
- (d) Legal Practitioners (Magistrates Court) (Civil);
- (e) Legal Practitioners (Magistrates Court) (Criminal); and
- (f) Legal Practitioners (Public Notaries).

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) Six determinations were made in the 2007/2008 financial year at a cost of \$17,884 per determination.
- (b) Four determinations were made in the 2008/2009 financial year at a cost of \$26,931 per determination.
- (c) Eight determinations were made in the 2009/2010 financial year at a cost of \$14,726 per determination.
- (d) Five determinations were made in the 2010/2011 financial year at a cost of \$22,562 per determination.
- (e) One determination was made in the 2011/2012 financial year at a cost of \$111,348 per determination.

