

Newfoundland and Labrador Legal Aid Commission

Annual Activity Report 2011-12

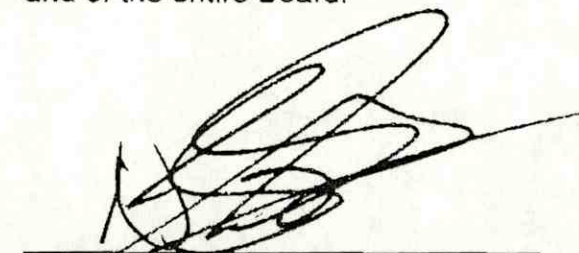
Message from the Chair

As Chair of the Newfoundland and Labrador Legal Aid Commission I am pleased to present the Legal Aid Commission's Annual Report which outlines the Commission's activities for the fiscal year April 1, 2011 to March 31, 2012. This report was prepared under my direction and in accordance with the provisions of the *Transparency and Accountability Act*. This report does not include the audited financial statements of the Legal Aid Commission as required by the *Legal Aid Act* and the *Transparency and Accountability Act* as they are not yet finalized. Once the statements are finalized, this document will be submitted for re-tabling with the audited financial statements included.

The Legal Aid Commission is classified as a Category 3 Government Entity and as such must prepare an annual report which presents information on the activities of the entity carried out during the preceding fiscal year in compliance with its mandate.

The Legal Aid Commission operates under the *Legal Aid Act* which provides for the provision of legal counsel to represent eligible residents of the Province of Newfoundland and Labrador charged with offences under the *Criminal Code of Canada*, other federal statutes and provincial statutes, and to people who have family disputes or other civil matters. Duty Counsel services are provided to visitors of our Province and legal counsel may be appointed for non-residents either through the legal aid plan of the province in which they reside or our legal aid program.

The Board of the Legal Aid Commission is accountable for the results reported. I, as Chair of the Legal Aid Commission, accept accountability on behalf of myself and of the entire Board.



Nicholas Avis, Q. C.
Chair

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Overview

The Legal Aid Plan was established by the Law Society of Newfoundland and Labrador in 1968. Legal Aid was managed by a committee of the Law Society and was responsible for providing legal counsel to represent eligible accused persons and to assist others who were involved in family disputes.

In 1976 the Legal Aid Commission was established by the *Legal Aid Act (the Act)* to assume responsibility for the Legal Aid Plan.

The Commission consists of a seven person board of commissioners, two of whom are ex-officio, the Deputy Minister of Justice and the Provincial Director. The Lieutenant Governor in Council appoints five commissioners, three of whom are appointed from a list of nominees by the Law Society. The Lieutenant Governor in Council designates one of the Commission Members as Chair and the members select another member as Vice-Chair/Secretary.

Appointed Members:

Nick Avis, Q.C., Chair
Vacant, Vice Chair/Secretary
William Collins, Q.C.
John Jenniex
Katie Rich

Ex-officio members:

Donald Burrage, Q.C., Deputy Minister
Newman Petten, Provincial Director

Legal Aid Offices and Staff

The Legal Aid Commission employs a Provincial Director, two Deputy Directors, two senior lawyers, fifty-three staff solicitors, three social workers, thirteen paralegals, a risk assessment officer, an information manager, a human resources manager, an accountant, a client services officer, forty-five support staff, six articling students, a family counselor, and four community workers. They work out of a provincial office, 11 area offices and six projects.

The Legal Aid Commission provides legal representation for persons that meet specified eligibility criteria, Duty Counsel service for first appearances on criminal matters before the provincial and youth courts, and has a lawyer available 24 hours a day, seven days a week, who may be reached at a 1-800 number to provide advice to people upon arrest, detention or being questioned by a peace officer. This service is referred to as Brydges Duty Counsel.

In addition to operating 11 area offices the Legal Aid Commission also has a number of special purpose offices. They are:

- The Aboriginal Project operates out of the Happy Valley-Goose Bay office. It is intended to facilitate working with Aboriginal communities to better improve the quality of legal services to Aboriginal people who encounter the law. As part of this project the Commission has hired Community Liaison Workers for the towns of Nain, Hopedale, Natuashish and Sheshatshiu.
- The Mental Health Office, in collaboration with Eastern Health, works to improve and more efficiently deliver legal services to people with mental health problems. Through this office persons with mental health problems can obtain legal representation in the Mental Health Court, on some civil matters, and at the Criminal Code Review Board and the Mental Health Review Board.
- The French Speaking Project has a staff solicitor fluent in French to provide legal advice by telephone, in person and when necessary to conduct trials in French.
- The Family and Child Legal Aid Services have offices in St. John's, Happy Valley-Goose Bay, and Corner Brook. Each office is staffed by a Director/staff solicitor, a social worker, and a paralegal. Their role is to assist parents of children taken into care by the Department of Child, Youth and Family Services (CYFS), to respond to the concerns of the CYFS, and to work towards the re-unification of the family where possible.
- The Client Service Officer's role is to coordinate and facilitate all Legal Aid Commission communication with persons incarcerated anywhere in the provincial or federal prison systems or held in an institution.
- Family Justice Services Project of the Legal Aid Commission in Central Newfoundland works in cooperation with the Family Justice Services Division of the Department of Justice to provide mediation and counseling service to parents in family separations.
- The Family Violence Court Project works with Provincial Court in St. John's to provide risk assessment services and legal representation to persons accepted into the Family Violence Intervention Court process.

- The Family Duty Counsel Project works out of the Supreme Court – Family Division to provide advice and assistance to unrepresented persons appearing in Family Division. Two lawyers and a Client Services Officer work out of offices located in the Family Division Court building.

Office locations and related staff are:

1.	Provincial Office – 251 Empire Avenue, St. John's	1 Provincial director, 2 deputy directors, 2 senior solicitors, 1 accountant, 1 information manager, 1 human resources manager, 1 client services officer, 2 paralegals, 11 support staff
2.	St. John's – 251 Empire Avenue	15 staff lawyers, 9 support staff, 2 paralegals
3.	St. John's – Atlantic Place	5 staff lawyers, 3 support staff
4.	Marystown	1 staff lawyer, 2 support staff
5.	Clareville	2 staff lawyers, 2 support staff
6.	Gander	2 staff lawyers, 2 support staff
7.	Grand Falls-Windsor	2 staff lawyers, 2 support staff, 1 paralegal
8.	Corner Brook	5 staff lawyers, 3 support staff, 1 paralegal
9.	Happy Valley-Goose Bay	5 staff lawyers, 3 support staff, 4 community workers, 1 paralegal
10.	Stephenville	4 staff lawyers, 3 support staff
11.	Carbonear	2 staff lawyers, 2 support staff
12.	Labrador West	1 staff lawyer, 1 support staff
13.	Family and Child Legal Aid Services – St. John's	2 staff lawyers, 1 social worker, 2 paralegals
14.	Family and Child Legal Aid Services – Happy Valley-Goose Bay	1 staff lawyer, 1 social worker, 1 paralegal
15.	Family and Child Legal Aid Services – Corner Brook	1 staff lawyer, 1 social worker, 1 paralegal
16.	Mental Health Court Project – St. John's	2 staff lawyers, 2 paralegals

17.	Family Justice Services – Central NL	1 staff lawyer, 1 support staff, 1 family counselor
18.	Family Violence Court Project	1 risk assessment officer
19.	Family Duty Counsel Project – St. John's	2 staff lawyers, 1 client services officer

*Note: In addition to the above positions, the Legal Aid Commission also has funding to hire six law students annually. The students may operate from various Legal Aid locations.

Mandate

The mandate of the Legal Aid Commission is contained in Part V of the *Act* entitled "The Legal Aid Plan." The *Act* states: "The Commission may, upon receipt of an application, and where the applicant is found eligible, provide legal aid in criminal and civil matters without charge to an individual who is unable to pay and with partial charge to an individual who is able to pay a portion thereof." Coverage is identified under Part VI of the *Act*. In criminal law, legal aid is provided for indictable offences and for summary conviction offences when certain conditions are met. In family cases and limited civil matters, legal aid is provided when there is case merit.

Vision Statement

To ensure that the Legal Aid Commission provides all residents of Newfoundland and Labrador, and non-residents who are eligible for Legal Aid assistance, with competent legal advice and representation.

Mission Statement

The mission statement identifies the primary focus of the Legal Aid Commission during the next two planning cycles. It represents the key long-term results worked towards as it moved forward on the strategic directions of the Provincial Government. The statement also identified the measures and indicators that assist both the Commission and the public in monitoring and evaluating success.

Key aspects of the current mission statement include the enhancement of the service that the Commission provides to the public. These enhancements may

involve assessing the family duty counsel needs, the appropriate use of paralegals, improved human resource management, and new technologies that benefit the people served by the Commission. The Commission's mission statement is:

By March 31, 2017 the Legal Aid Commission will have enhanced its ability to offer the highest quality legal services.

Measure: Ability to offer the highest quality legal services enhanced

Indicators:

- Innovative processes implemented
- Service quality enhanced
- Implementation of technological advancements, as appropriate

Lines of Business

For all residents of Newfoundland and Labrador, and visitors to the province, the following services are provided:

- Duty counsel to accused persons appear in the provincial and youth courts across the province.
- Brydges Duty Counsel, a 24 hours telephone service to people arrested or detained by the police.

For residents of Newfoundland and Labrador who meet financial and case eligibility criteria, and for non-residents, who qualify under the legal aid plan of the province or territory in which they reside, the following services are provided:

- Representation in criminal, family and civil cases;
- Representation in appeals before the Courts; and
- Representation before administrative tribunals in areas such as: immigration and refugee claims, Canada Pension, employment insurance, and social assistance.

Eligibility for legal aid is dependent upon an applicant meeting the financial and case eligibility requirements specified in the Act and Regulations. Once an applicant is approved, services are provided by staff lawyers or, in approximately two per cent of the cases, by lawyers in private practice. Private counsel are paid on a fee for service basis in accordance with the tariff found in the Regulations.

Highlights of Accomplishments and Facts of Interest

People Assisted

Applications

For the fiscal year ending March 31, 2012, 9,942 people requested assistance from Legal Aid. This is an increase of 1,046 (11.8 per cent) over the previous year. Of these who applied, 4,687 persons were provided with full service legal representation, 14 more than the number of persons provided with full service in the 2010-11 fiscal year. Those who were not provided with full service would have received advice. Persons are refused because they did not meet the financial eligibility guidelines or their cases were not ones for which legal aid would be granted.

Cases Completed

Staff lawyers completed 5,675 cases and 115 cases were completed by the private bar, amounting to 5,790 completed cases.

Duty Counsel

Duty Counsel assisted 11,343 adults and 1,107 youths for a total of 12,452 people. This is an increase of 1.6 per cent over the number of adults assisted in 2010-11 and an increase of 0.2 per cent in the number of youths assisted. Duty Counsel is a service provided to people on their first appearance before a Provincial or Youth Court Judge.

Projects

Mental Health Project

This project works, in collaboration with the Eastern Health, to efficiently deliver legal services to people with mental health problems. It was a key partner in the establishment of the Mental Health Court as a division of the Provincial Court of Newfoundland and Labrador. The St. John's location handles the bulk of the cases for the Mental Health Court. Generally a person must have a diagnosed mental illness to be referred to the court. The project strives to provide for both the civil and criminal law needs of persons with mental illness. The Legal Aid Commission contributes two staff lawyers, two paralegals, and office space. Eastern Health contributes two social workers, and two LPNs to the project.

Family Violence Court Project

The Legal Aid Commission has been an active participant in planning the Family Violence Intervention Court at Provincial Court in St. John's and plays a significant role by providing risk assessment services and legal representation to persons to have their cases dealt with under the new Court process. A risk assessment officer, based in the Commission's Provincial Office, assesses persons whose cases are being considered for inclusion in the Family Violence Intervention Court. Staff lawyers from the St. John's and Atlantic Place offices handle the provision of advice and representation to accused persons. Since the program started, risk assessments have been provided for 160 people.

Family and Child Legal Aid Services

It has been recognized that cases involving the removal of children from their parents by Child Youth and Family Services need to be handled differently than matters in other areas of law. Specialized knowledge, timely response, and innovative procedures are needed to ensure that the best interests of a child and his or her parents are met. The Legal Aid Commission has offices in Corner Brook, St. John's, and Happy Valley-Goose Bay. Each office is staffed by a staff lawyer, a social worker, and a paralegal who all work closely with parents and who bring a collaborative approach to the settlement of child protection cases.

Client Services Officer

The Legal Aid Commission established the position of Client Services Officer (CSO) to improve communication between persons in institutions and the Commission. The CSO position's role is to coordinate and facilitate all Legal Aid Commission communication with persons incarcerated anywhere in the provincial or federal prison systems or held in another institution. The CSO travels extensively visiting each prison and institution where people are held to meet with officials at each institution, meet inmates, and collect information on how to better service this population.

Family Duty Counsel

A Family Duty Counsel project was established for the St. John's Supreme Court – Family Division to assist unrepresented persons attending court. The office is staffed by two lawyers and a client services officer.

Activities

Issue 1: Seeking Innovations and New Efficiencies

The Legal Aid Commission identified the lack of a Duty Counsel Project at the Family Division of the Supreme Court of Newfoundland and Labrador as a serious impediment to the access to justice by unrepresented litigants. There are a number of members of the public who do not qualify for Legal Aid assistance but who cannot afford to hire private counsel. Not only does their lack of counsel disadvantage these people but it also delays their court proceedings and the proceedings of other litigants. The Court has identified unrepresented litigants as one of the major factors in inefficient use of Court time. Cases where one or more litigants are unrepresented, take considerably more time per case than those where the parties have counsel.

Additionally, to enhance efficiencies, the Legal Aid Commission assessed its paralegal needs. Based on this assessment, paralegals were hired to best meet the needs of the Legal Aid Commission.

Goal 1:	By March 31, 2014 the Commission will have enhanced the quality of its services for clients.
Measure	
Quality of services enhanced	
Indicators:	Duty counsel needs assessed
	Resource requirements assessed
	Resource needs addressed, as appropriate
	Human resource requirements assessed
	Human resource structure enhanced

Objective 1:	By March 31, 2012 the Legal Aid Commission will have addressed service needs.
Measure	
Service needs addressed	
Indicators:	Actual Results
Duty counsel needs assessed	Duty Counsel needs were assessed. A legal aid staff committee consulted with a committee established at the court and with justice officials to agree on the parameters of the project and to agree on appropriate office accommodation at the court for legal aid staff, given the importance of confidentiality and solicitor-client privilege.

	Protocols were drafted and agreed upon to initiate the project. Staff were interviewed and selected to fill the positions of the project.
Initial duty counsel needs addressed	Initial duty counsel needs addressed. Once hired, lawyers and support staff conducted a period of training to open and operate the project.
Paralegal needs assessed	Paralegal needs were assessed. A committee was established at the Legal Aid Commission to determine needs. A list of paralegal needs was developed and reporting structure for paralegals was approved.
Paralegals hired, as appropriate	Paralegals were hired as appropriate. The number of paralegals was decided. Job descriptions and duties were agreed upon, positions advertised and interviews conducted.

Objective and indicators for FY 2012-13:

Objective 2:	By March 31, 2013 the Legal Aid Commission will have continued to enhance its services.
Measure	
Services continued to be enhanced	
Indicators:	Data needs related to the family duty counsel project identified
	Data collection process for the family duty counsel project implemented
	Data needs regarding the paralegal support identified
	Data collection process for the paralegal support implemented
	Stakeholders engaged, as appropriate
	Data related to the family duty counsel project analyzed with a view to enhance services
	Data related to the paralegal support analyzed with a view to enhance services

Issue 2: Information Management and Technology

Rapid and continuing technological advancements have had a significant impact on how the public, Courts, Government and the Commission receive, process and distribute information. Moreover, technological change impacts almost every aspect of the Commission's work from document preparation and communication with clientele and the Courts, to how closed files are archived. The Commission has determined that in order to achieve true efficiencies from the adoption of new technologies, an internal process is needed to evaluate new technologies and propose which ones should be integrated into Legal Aid's workplace.

Goal 2:	By March 31, 2014 the Legal Aid Commission will have implemented technological enhancements.
Measure	
Technological enhancements implemented	
Indicators:	Enhancements made to the legal aid management information system (LAMIS)
	Stakeholders engaged, as appropriate
	Website content developed
	Website content finalized
	Website launched

Objective 1:	By March 31, 2012 the Legal Aid Commission will have developed a website.
Measure	
Website developed	
Indicators:	Actual Results
Committee established	A committee of Legal Aid Commission staff and a representative from OCIO was established to review the desired content of a new website.
Website content drafted	Website content was drafted and presented to Legal Aid Management and approved.
Website mock-up designed	A website mock-up was designed and presented to Legal Aid Management and the Legal Aid Commission Board members.
Website content finalized	Website content was finalized and approved by the Legal Aid Management and the Legal Aid Commission Board members.
Website launched	Unexpected delays were experienced which delayed the launch of the website beyond the end of the fiscal year. The website will now be launched early in FY 2012-13.

Objective and indicators for FY 2012-13:

Objective 2:	By March 31, 2013 the Legal Aid Commission will have begun the assessment of the functionality of the Legal Aid Management Information System (LAMIS).
Measure	
Assessment of the functionality of LAMIS begun	
Indicators:	Committee to review the current operation of LAMIS established
	LAMIS review completed
	Issues with LAMIS identified
	OCIO engaged to address identified issues

Opportunities and Challenges Ahead

1. With the increase in complexity of cases, the amount of court and preparation time has risen. To address this increased demand, the Commission continues to focus on methods to streamline processes to increase efficiency.
2. The Duty Counsel pilot project at the Family Division of the Supreme Court in St John's provides onsite lawyers to assist unrepresented people who cannot afford private counsel. This service should improve the flow of Court process by providing advice needed and when necessary, directing qualified applicants through the application process.
3. Paralegals assist lawyers' workloads by taking on tasks under the lawyers' supervision, and will result in increased efficiency for the legal staff and allow the staff lawyers to devote more time to the more complex and critical matters.
4. The establishment of a Human Resources division will improve the training of new staff and the handling of day to day human resource needs of the staff.

Financial Statements (unaudited)

Expenditure and revenue figures included in this document are based on public information provided in the Report on the Program Expenditures and Revenues of the Consolidated Revenue Fund for Fiscal Year Ended 31 March 2012.

	Actual \$	Estimates	
		Amended \$	Original \$
05. Professional Services.....	-	1,300	1,300
10. Grants and Subsidies.....	14,283,182	14,638,400	14,638,400
01. Revenue - Federal.....	3,711,788	2,233,900	2,233,900
Total: Legal Aid and Related Services.....	10,571,394	12,405,800	12,405,800

Note: This financial information includes expenditures that are attributed to other related services that do not fall under the responsibility of the Legal Aid Commission. For detailed information on the expenditures of the Legal Aid Commission please see the Commission's audited financial statements, when available.

Contact Us

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**NEWFOUNDLAND AND LABRADOR
LEGAL AID COMMISSION**

FINANCIAL STATEMENTS

MARCH 31, 2012

Management's Report

Management's Responsibility for the Newfoundland and Labrador Legal Aid Commission

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

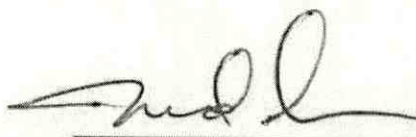
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that transactions are properly authorized, assets are safeguarded and liabilities are recognized.


Management is also responsible for ensuring that transactions comply with relevant policies and authorities and are properly recorded to produce timely and reliable financial information.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial information on a periodic basis and external audited financial statements yearly.

The Auditor General conducts an independent audit of the annual financial statements of the Commission, in accordance with Canadian generally accepted auditing standards, in order to express an opinion thereon. The Auditor General has full and free access to financial management of the Newfoundland and Labrador Legal Aid Commission.

On behalf of the Newfoundland and Labrador Legal Aid Commission.



Provincial Director

Deputy Director

July 2014



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Newfoundland and Labrador Legal Aid Commission
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the accompanying financial statements of the Newfoundland and Labrador Legal Aid Commission which comprise the statement of financial position as at March 31, 2012, the statements of operations, change in net financial assets, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit 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 judgment, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report (cont.)

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Newfoundland and Labrador Legal Aid Commission as at March 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Comparative information

Without modifying my opinion, I draw attention to Note 2 to the financial statements which describes that the Newfoundland and Labrador Legal Aid Commission adopted Canadian public sector accounting standards commencing with the 2012 fiscal year, with a transition date of April 1, 2010. These standards were applied retroactively by management to the comparative information in these financial statements including the statement of financial position as at March 31, 2011 and April 1, 2010 and the statements of operations, change in net financial assets, and cash flows for the year ended March 31, 2011 and other explanatory information. The restated comparative information is unaudited.



TERRY PADDON, CA
Auditor General

July 30, 2014
St. John's, Newfoundland and Labrador

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF FINANCIAL POSITION

As at

	March 31 2012	March 31 2011 (Restated) (Note 2) (Unaudited)	April 1 2010 (Restated) (Note 2) (Unaudited)
FINANCIAL ASSETS			
Cash	\$ 3,913,368	\$ 4,836,052	\$ 4,978,529
Accounts receivable (Note 4)	612,078	452,733	308,947
	<u>4,525,446</u>	<u>5,288,785</u>	<u>5,287,476</u>
LIABILITIES			
Accounts payable and accrued liabilities (Note 5)	1,988,682	1,377,580	1,267,922
Employee future benefits (Note 6)	1,686,989	1,544,398	1,527,159
Deferred revenue	557,931	363,567	276,638
	<u>4,233,602</u>	<u>3,285,545</u>	<u>3,071,719</u>
Net financial assets	<u>291,844</u>	<u>2,003,240</u>	<u>2,215,757</u>
NON-FINANCIAL ASSETS			
Tangible capital assets (Note 7)	291,931	337,983	359,931
Prepaid expenses (Note 8)	99,256	91,228	95,758
	<u>391,187</u>	<u>429,211</u>	<u>455,689</u>
Accumulated surplus	<u>\$ 683,031</u>	<u>\$ 2,432,451</u>	<u>\$ 2,671,446</u>
Contingent liabilities (Note 9)			
Contractual obligations (Note 10)			
Trust under administration (Note 11)			

The accompanying notes are an integral part of these financial statements

Signed on behalf of the Commission:

_____ **Chairperson**

_____ **Member**

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF OPERATIONS
For the Year Ended March 31

	2012	2011
	<u>Budget</u> (Note 17)	<u>Actual</u> (Restated) (Note 2) (Unaudited)
REVENUES		
Province of Newfoundland and Labrador operating grant	\$ 14,213,000	\$ 14,213,004
Law Foundation of Newfoundland and Labrador grant	300,000	268,084
Legal services	-	71,198
Interest	95,000	45,225
	<u>14,608,000</u>	<u>14,597,511</u>
		\$ 14,101,800
EXPENSES (Note 12)		
Administration	5,704,297	6,988,771
Criminal law	5,181,656	5,414,001
Youth law	235,003	214,561
Civil law	3,487,044	3,729,598
	<u>14,608,000</u>	<u>16,346,931</u>
		14,598,455
Annual deficit	-	(1,749,420)
Accumulated surplus, beginning of year	2,432,451	2,432,451
Accumulated surplus, end of year	\$ 2,432,451	\$ 683,031
		\$ 2,432,451

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
For the Year Ended March 31

	2012		2011
	<u>Budget</u> (Note 17)	<u>Actual</u>	<u>Actual</u> (Restated) (Note 2) (Unaudited)
<u>Annual deficit</u>	\$ -	\$ (1,749,420)	\$ (238,995)
Tangible capital assets			
Acquisition of tangible capital assets	-	(89,564)	(96,859)
Amortization of tangible capital assets	-	135,616	118,807
	-	46,052	21,948
Prepaid expenses			
Acquisition of prepaid expenses	-	(99,256)	(91,228)
Use of prepaid expenses	-	91,228	95,758
	-	(8,028)	4,530
Decrease in net financial assets	-	(1,711,396)	(212,517)
<u>Net financial assets, beginning of year</u>	2,003,240	2,003,240	2,215,757
<u>Net financial assets, end of year</u>	\$ 2,003,240	\$ 291,844	\$ 2,003,240

The accompanying notes are an integral part of these financial statements

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2012	2011
		(Restated) (Note 2) (Unaudited)
Operating transactions		
Annual deficit	\$ (1,749,420)	\$ (238,995)
Adjustment for non-cash items		
Amortization	135,616	118,807
Bad debt expense	4,976	16,125
	(1,608,828)	(104,063)
Changes in non-cash working capital		
Accounts receivable	(164,321)	(159,911)
Accounts payable and accrued liabilities	611,102	109,658
Employee future benefits	142,591	17,239
Deferred revenue	194,364	86,929
Prepaid expenses	(8,028)	4,530
Cash applied to operating transactions	(833,120)	(45,618)
Capital transactions		
Purchase of tangible capital assets	(89,564)	(96,859)
Cash applied to capital transactions	(89,564)	(96,859)
Net decrease in cash	(922,684)	(142,477)
Cash, beginning of year	4,836,052	4,978,529
Cash, end of year	\$ 3,913,368	\$ 4,836,052

*The accompanying notes are an
integral part of these financial statements*

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

1. Nature of Operations

The Newfoundland and Labrador Legal Aid Commission (the Commission) operates under the authority of the *Legal Aid Act*. The purpose of the Commission is to establish and administer a plan for the provision of legal aid for the residents of the Province of Newfoundland and Labrador.

The affairs of the Commission are managed by a Board of Commissioners consisting of the Deputy Minister of Justice, the Provincial Director of the Commission and five members appointed by the Lieutenant-Governor in Council.

The Commission is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

2. Conversion to Public Sector Accounting Standards

In accordance with recommendations of the Public Sector Accounting Board (PSAB), the Commission has determined that it is an Other Government Organization within the Government Reporting Entity. Accordingly, commencing with the 2012 fiscal year, the Commission has adopted Canadian public sector accounting standards (CPSAS). These financial statements have been prepared by the management of the Commission, and are the first financial statements for which the Commission has applied CPSAS. The Commission had previously been preparing its financial statements using Canadian generally accepted accounting principles (CGAAP). The changeover became effective on April 1, 2011, with retroactive application to April 1, 2010.

In accordance with Section PS 2125 of CPSAS, *First Time Adoption by Government Organizations*, the Commission has prepared reconciliations to enable readers to understand the effects of the changeover on its financial position and comparative results.

Statement of financial position reconciliation

The following tables present the reconciliation of the statement of financial position from the previous reporting framework to the current method of presentation as at March 31, 2011 and at the transition date of April 1, 2010.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
 March 31, 2012

2. Conversion to Public Sector Accounting Standards (cont.)

	Notes	CGAAP March 31 2011	Adjustments	CPSAS March 31 2011
FINANCIAL ASSETS				
Cash		\$ 4,836,052	\$ -	\$ 4,836,052
Accounts receivable		452,733	-	\$452,733
Assets held in trust	(a)	198,174	(198,174)	-
		5,486,959	(198,174)	5,288,785
LIABILITIES				
Accounts payable and accrued liabilities		1,377,580	-	1,377,580
Accrued severance pay	(b)	1,288,955	(1,288,955)	-
Employee future benefits	(b)	-	1,544,398	1,544,398
Deferred revenue		363,567	-	363,567
Trust liability	(a)	198,174	(198,174)	-
		3,228,276	57,269	3,285,545
Net financial assets		2,258,683	(255,443)	2,003,240
NON-FINANCIAL ASSETS				
Tangible capital assets		337,983	-	337,983
Prepaid expenses		91,228	-	91,228
		429,211	-	429,211
Accumulated surplus		\$ 2,687,894	\$ (255,443)	\$ 2,432,451

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
 March 31, 2012

2. Conversion to Public Sector Accounting Standards (cont.)

	Notes	CGAAP April 1 2010	Adjustments	CPSAS April 1 2010
FINANCIAL ASSETS				
Cash		\$ 4,978,529	\$ -	\$ 4,978,529
Accounts receivable		308,947	-	308,947
Assets held in trust	(a)	168,503	(168,503)	-
		5,455,979	(168,503)	5,287,476
LIABILITIES				
Accounts payable and accrued liabilities		1,267,922	-	1,267,922
Accrued severance pay	(b)	1,263,738	(1,263,738)	-
Employee future benefits	(b)	-	1,527,159	1,527,159
Deferred revenue		276,638	-	276,638
Trust liability	(a)	168,503	(168,503)	-
		2,976,801	94,918	3,071,719
Net financial assets		2,479,178	(263,421)	2,215,757
NON-FINANCIAL ASSETS				
Tangible capital assets		359,931	-	359,931
Prepaid expenses		95,758	-	95,758
		455,689	-	455,689
Accumulated surplus		\$ 2,934,867	\$ (263,421)	\$ 2,671,446

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
 March 31, 2012

2. Conversion to Public Sector Accounting Standards (cont.)

Statement of operations reconciliation

The following table presents the reconciliation of the statement of operations from the previous reporting framework to the current method of presentation for the year ended March 31, 2011.

	Notes	CGAAP March 31 2011	Adjustments	CPSAS March 31 2011
REVENUES				
Province of Newfoundland and Labrador				
Operating grant		\$ 14,101,800	\$ -	\$ 14,101,800
Law Foundation of Newfoundland and Labrador grant		115,146	-	115,146
Legal services		101,984	-	101,984
Interest		40,530	-	40,530
		14,359,460	-	\$14,359,460
EXPENSES				
Amortization	(c)	118,807	(118,807)	-
Bad debt expense	(c)	16,125	(16,125)	-
Bar fees and insurance	(c)	130,540	(130,540)	-
Commissioners' fees and expenses	(c)	64,124	(64,124)	-
Conference and education	(c)	150,933	(150,933)	-
Family Justice Services Central Project	(c)	177,158	(177,158)	-
Legal fees and disbursements	(c)	1,366,847	(1,366,847)	-
Library	(c)	13,923	(13,923)	-
Miscellaneous	(c)	80,028	(80,028)	-
Office and equipment rental	(c)	1,202,975	(1,202,975)	-
Office expense	(c)	414,072	(414,072)	-
Salaries and benefits	(c)	10,653,843	(10,653,843)	-
Telephone and light	(c)	56,223	(56,223)	-
Travel	(c)	160,835	(160,835)	-
Administration	(b)(c)	-	6,573,954	6,573,954
Criminal law	(b)(c)	-	4,883,997	4,883,997
Youth law	(b)(c)	-	251,146	251,146
Civil law	(b)(c)	-	2,889,358	2,889,358
		14,606,433	(7,978)	14,598,455
Annual deficit		\$ (246,973)	\$ 7,978	\$ (238,995)

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

2. Conversion to Public Sector Accounting Standards (cont.)

- (a) Under CPSAS, amounts held in trust on behalf of external parties are not considered available for use or benefit of the Commission. In accordance with CPSAS, amounts held in trust are not included in the Commission's statement of financial position. CPSAS require the Commission to disclose funds held in trust. See Note 11 for disclosure of these funds.
- (b) CPSAS require that a liability and an expense be recognized for post-employment benefits and compensated absences that vest or accumulate in the period in which employees render services to the Commission in return for the benefits. Previous to the year ended March 31, 2012, the Commission did not record a liability or an expense related to severance pay for employees with less than 9 years of continuous service or accumulating non-vesting sick leave benefits. Accordingly, an adjustment was made to retroactively apply the standard.
- (c) Under CPSAS, the Commission is required to report its expenses by function or major program on the statement of operations. Therefore, certain expenses were reclassified on a retroactive basis.

3. Significant accounting policies

(a) Basis of accounting

The Commission is classified as an Other Government Organization as defined by Canadian Public Sector Accounting Standards (CPSAS). These financial statements are prepared by management in accordance with CPSAS for provincial reporting entities established by the Canadian Public Sector Accounting Board (PSAB). The Commission does not prepare a statement of remeasurement gains and losses as the Commission does not enter into relevant transactions or circumstances that are being addressed by this statement. Outlined below are the significant accounting policies followed.

(b) Financial instruments

The Commission's financial instruments recognized in the statement of financial position consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Commission generally recognizes a financial instrument when it enters into a contract which creates a financial asset or financial liability. Financial assets and financial liabilities are initially measured at cost, which is the fair value at the time of acquisition.

The Commission subsequently measures all of its financial assets and financial liabilities at cost or amortized cost. Financial assets measured at cost include cash. Financial assets measured at amortized cost include accounts receivable. Financial liabilities measured at cost include accounts payable and accrued liabilities.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

3. Significant accounting policies (cont.)

(b) Financial instruments (cont.)

The carrying value of cash, accounts receivable, and accounts payable and accrued liabilities approximate fair value due to their nature and/or the short term maturity associated with these instruments.

Interest attributable to financial instruments is reported in the statement of operations.

(c) Cash

Cash includes cash in bank.

(d) Employee future benefits

Employee future benefits include severance pay and accumulating non-vesting sick leave benefits.

(i) Severance is accounted for on an accrual basis, based upon years of service and current salary levels.

(ii) The cost of accumulating non-vesting sick leave benefits is calculated based upon management's best estimate of its employees' sick leave utilization rates, sick leave balances, annual sick leave entitlements and current salary levels. Under the former annual leave policy, all employees hired before September 30, 1994 were credited with 2 days sick leave per month. After this date, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Accumulated benefits under the former policy may be used in future years and, if not used, the benefits cease upon termination of employment.

Under the *Legal Aid Act*, Commission employees shall be considered to be employed in the public service for the purpose of the *Public Service Pensions Act, 1991*. Employee contributions are matched by the Commission and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The contributions from the Commission to the plan are recorded as an expense for the year.

(e) Deferred revenue

Deferred revenue represents amounts relating to contracts for legal services which have been entered into with clients for which the legal services have yet to be completed. The deferred revenue will be recognized in the period during which the legal services have been completed.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

3. Significant accounting policies (cont.)

(f) Tangible capital assets

Tangible capital assets are recorded at cost at the time of acquisition.

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over their estimated useful lives as follows:

Office furniture and equipment	5 years
Software development	5 years
Computer equipment	5 years
Leasehold improvements	Remaining life of the rental agreement

Tangible capital assets are written down when conditions indicate that they no longer contribute to the ability of the Commission to provide goods or services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

(g) Prepaid expenses

Prepaid expenses are charged to expense over the periods expected to benefit from it.

(h) Revenues

Revenues are recognized in the period in which the transactions or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers (Province of Newfoundland and Labrador operating grants) are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except when and to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Interest revenue is recognized as earned.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
 March 31, 2012

3. Significant accounting policies (cont.)

(i) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are recorded as an expense in that year.

(j) Measurement uncertainty

The preparation of financial statements in conformity with CPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the expected useful life of tangible capital assets, and estimated employee future benefits.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Accounts receivable

	<u>March 31</u> <u>2012</u>	<u>March 31</u> <u>2011</u>	<u>April 1</u> <u>2010</u>
Trade	\$ 839,804	\$ 644,477	\$ 539,155
Harmonized Sales Tax	43,795	74,801	20,212
	<u>883,599</u>	<u>719,278</u>	<u>559,367</u>
Less: allowance for doubtful accounts	<u>(271,521)</u>	<u>(266,545)</u>	<u>(250,420)</u>
	<u>\$ 612,078</u>	<u>\$ 452,733</u>	<u>\$ 308,947</u>

5. Accounts payable and accrued liabilities

	<u>March 31</u> <u>2012</u>	<u>March 31</u> <u>2011</u>	<u>April 1</u> <u>2010</u>
Trade	\$ 672,451	\$ 201,136	\$ 133,840
Salaries and benefits	1,316,231	1,176,444	1,134,082
	<u>\$ 1,988,682</u>	<u>\$ 1,377,580</u>	<u>\$ 1,267,922</u>

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

6. Employee future benefits

Employee future benefits consist of:

	<u>March 31</u> <u>2012</u>	<u>March 31</u> <u>2011</u>	<u>April 1</u> <u>2010</u>
Severance pay (a)	\$ 1,538,940	\$ 1,392,946	\$ 1,347,772
Accumulating non-vesting sick leave benefit liability (b)	148,049	151,452	179,387
	<u>\$ 1,686,989</u>	<u>\$ 1,544,398</u>	<u>\$ 1,527,159</u>

(a) Severance pay

Severance pay consists of the liability related to the following employees:

	<u>March 31</u> <u>2012</u>	<u>March 31</u> <u>2011</u>	<u>April 1</u> <u>2010</u>
Employees with 9 or more years of service	\$ 1,425,515	\$ 1,288,955	\$ 1,263,738
Employees with less than 9 years of service	113,425	103,991	84,034
	<u>\$ 1,538,940</u>	<u>\$ 1,392,946</u>	<u>\$ 1,347,772</u>

(b) Accumulating non-vesting sick leave benefit liability

	<u>March 31</u> <u>2012</u>	<u>March 31</u> <u>2011</u>	<u>April 1</u> <u>2010</u>
Accumulating non-vesting sick leave benefit liability	\$ 148,049	\$ 151,452	\$ 179,387

(c) Employee future benefits expense

Portion of salaries and benefits expense related to employee future benefits.

	<u>2012</u>	<u>2011</u>
Severance pay expense	\$ 145,994	\$ 45,174
Accumulating non-vesting sick leave benefit expense	(3,403)	(27,935)
	<u>\$ 142,591</u>	<u>\$ 17,239</u>

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

6. Employee future benefits (cont.)

(d) Employee future benefits

(i) Severance pay

Severance is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance vests with employees with nine years of continuous service, and accordingly a liability has been recorded by the Commission for these employees. For employees with less than nine years of continuous service, the Commission has made a provision in the accounts for the payment of severance which is based upon the Commission's best estimate of the probability of having to pay severance to the employees and current salary levels. Severance is payable when the employee ceases employment with the Commission provided no severance has been paid by Government or another Crown corporation or agency for the same period and the employee has at least nine years of continuous service. The Commission does not recognize prior service with the public service for the purpose of calculating severance entitlement.

(ii) Accumulating non-vesting sick leave benefits

All employees hired before September 30, 1994, were credited with 2 sick days per month for use as paid absences during the year due to illness. Subsequent to September 30, 1994, the Commission moved to the new paid leave policy which did not include a sick leave entitlement. Sick leave benefits accumulated prior to September 30, 1994, may be used in future years and, if not used, the benefits cease upon termination of employment. For the year ended March 31, 2012, a sick leave liability was calculated for 19 employees.

(iii) Pension contributions

Under the *Legal Aid Act*, the Commission's staff are subject to the *Public Service Pensions Act*. Employee contributions are matched by the Commission and then remitted to the Province of Newfoundland and Labrador Pooled Pension Fund from which pensions will be paid to employees when they retire. The Plan is a multi-employer, defined benefit plan, providing a pension on retirement based on the age of its members at retirement, length of service and the average of their best five years of earnings. The maximum contribution rate for eligible employees was 8.6% (2011 - 8.6%). The Commission is not required to make contributions in respect of any actuarial deficiencies of the plan. The Commission's share of pension contributions for 2012 was \$720,904 (2011 - \$661,355). These contributions are included in salaries and benefits expense.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
 March 31, 2012

7. Tangible capital assets

	Office furniture and equipment	Software development	Computer equipment	Leasehold improvement	Total
Cost					
Balance, April 1, 2010	\$ 905,352	\$ 185,543	\$ 531,926	\$ 48,105	\$ 1,670,926
Additions	35,015		36,844	25,000	96,859
Balance, March 31, 2011	940,367	185,543	568,770	73,105	1,767,785
Additions	40,576		48,238	750	89,564
Balance, March 31, 2012	980,943	185,543	617,008	73,855	1,857,349
Accumulated Amortization					
Balance, April 1, 2010	675,530	183,964	423,113	28,388	1,310,995
Amortization	75,587	730	36,827	5,663	118,807
Balance, March 31, 2011	751,117	184,694	459,940	34,051	1,429,802
Amortization	78,534	680	46,976	9,426	135,616
Balance, March 31, 2012	829,651	185,374	506,916	43,477	1,565,418
Net book value					
March 31, 2012	\$ 151,292	\$ 169	\$ 110,092	\$ 30,378	\$ 291,931
March 31, 2011	\$ 189,250	\$ 849	\$ 108,830	\$ 39,054	\$ 337,983
April 1, 2010	\$ 229,822	\$ 1,579	\$ 108,813	\$ 19,717	\$ 359,931

8. Prepaid expenses

	March 31 <u>2012</u>	March 31 <u>2011</u>	April 1 <u>2010</u>
Bar fees and insurance	\$ 90,590	\$ 65,230	\$ 71,847
Salaries and benefits	8,666	25,998	23,911
	\$ 99,256	\$ 91,228	\$ 95,758

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

9. Contingent liabilities

- (a) Statements of Claim have been served on the Commission by three former employees for alleged wrongful dismissal. The Commission, through legal counsel, has filed a defence to each claim.
- (b) A Statement of Claim has been served on the Commission, as represented by the Department of Transportation and Works, by a company in connection with a tender for office space. The Commission, through legal counsel, has filed a defence.
- (c) A Statement of Claim in the amount of \$8,900 has been served on the Commission by a former employee in connection with severance pay. The Commission, through legal counsel, has filed a defence.

10. Contractual obligations

The Commission has entered into agreements requiring lease payments for office rental as follows:

2013	\$ 1,367,162
2014	1,487,927
2015	1,441,134
2016	1,038,913
2017	634,173
Thereafter	<u>280,791</u>
	<u>\$ 6,250,100</u>

11. Trusts under administration

Assets held in trust of \$442,711 (2011 - \$198,174; 2010 - \$168,503) include amounts received by the Commission for legal services which have yet to be completed. When a contract for legal services is entered into with a client, provision may be made in the contract for periodic payments to be made to the Commission while the legal services are being provided. Once the legal services have been completed, any payments received at that time will be combined with the general funds of the Commission. Any payments received under these contracts subsequent to the completion of legal services will be recorded with the general funds of the Commission immediately. Assets held in trust also include amounts received by the Commission, such as settlements, which will be disbursed once the related services have been completed.

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

12. Expense by object

	<u>2012</u>	<u>2011</u>
Amortization	\$ 135,616	\$ 118,807
Bad debt expense	4,976	16,125
Bar fees and insurance	138,151	130,540
Commissioners' fees and expenses	62,075	64,124
Conference and education	190,768	150,933
Family Justice Services Central Project (Note 13)	87,592	177,158
Legal fees and disbursements	1,507,669	1,366,847
Library fees	21,366	13,923
Miscellaneous	93,270	80,028
Office and equipment rental	1,249,042	1,202,975
Office expense	386,642	414,072
Salaries and benefits	12,256,803	10,645,865
Telephone and light	76,272	56,223
Travel	136,689	160,835
	<u>\$ 16,346,931</u>	<u>\$ 14,598,455</u>

13. Family Justice Services Central Project

On March 31, 2004, an Agreement was signed between the Government of Canada and the Province to provide funding to the Province for a Family Justice Services Central Project. The Agreement, which expired on March 31, 2007, covered a portion of the costs of a project designed to provide enhanced access to family law justice services in Central Newfoundland. During the year ended March 31, 2012, the Commission funded this project through its operating grant from the Province. Actual expenditures paid by the Commission for the project were as follows:

	<u>2012</u>	<u>2011</u>
Bar fees	\$ 52	\$ 1,350
Office expense	3,283	7,274
Salaries and benefits	83,127	163,556
Travel	1,130	4,978
	<u>\$ 87,592</u>	<u>\$ 177,158</u>

NEWFOUNDLAND AND LABRADOR LEGAL AID COMMISSION
NOTES TO FINANCIAL STATEMENTS
March 31, 2012

14. Related party transactions

Province of Newfoundland and Labrador

During the year, the Commission received \$14,213,004 (2011 - \$14,101,800) from the Province in Operating grant revenue.

The Office of the Chief Information Officer (OCIO), an entity within the Executive Council of the Province, provides Information Technology (IT) support services to the Commission. These IT costs are reflected in these financial statements in the amount of \$96,630 (2011 - \$89,251).

The Province provides the Commission with the use of office space for the Family Justice Services Central Project (see Note 13) at no cost.

15. Financial risk management

The Commission recognizes the importance of managing risks and this includes policies, procedures and oversight designed to reduce risks identified to an appropriate threshold. The risks that the Commission is exposed to through its financial instruments are credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Commission's main credit risk relates to cash and accounts receivable. The Commission's maximum exposure to credit risk is the carrying amounts of these financial instruments. The Commission is not exposed to significant credit risk with its cash because this financial instrument is held with a Chartered Bank.

The Commission is exposed to significant credit risk related to its accounts receivable relating to amounts owed from clients. Legal aid clients enter into a payment program based on a contract for the provision of legal services, and the accounts receivable balance is comprised primarily of small amounts held by a large client base. Any estimated impairment of these accounts receivable has been provided for through a provision for doubtful accounts as disclosed in Note 4.

There have been no significant changes from the previous year in the exposure to credit risk or policies, procedures and methods used to manage credit risk.

15. Financial risk management (cont.)

Liquidity Risk

Liquidity risk is the risk that the Commission will be unable to meet its contractual obligations and financial liabilities. The Commission's exposure to liquidity risk relates mainly to its accounts payable and accrued liabilities, and its contractual obligations. The Commission manages liquidity risk by monitoring its cash flows and ensuring that it has sufficient resources available to meet its contractual obligations and financial liabilities. The future minimum payments required from the Commission in relation to its contractual obligations are outlined in Note 10.

There have been no significant changes from the previous year in the exposure to liquidity risk or policies, procedures and methods used to manage liquidity risk.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency (foreign exchange) risk, interest rate risk and other price risk. The Commission is not exposed to significant foreign exchange risk or other price risk. The Commission is not exposed to significant interest rate risk related to cash because of its nature.

There have been no significant changes from the previous year in the exposure to market risk or policies, procedures and methods used to manage market risk.

16. Non-financial assets

The recognition and measurement of non-financial assets is based on their service potential. These assets will not provide resources to discharge liabilities of the Commission. For non-financial assets, the future economic benefit consists of their capacity to render service to further the Commission's objectives.

17. Budget

Budgeted figures, which have been prepared on a cash basis, are provided for comparison purposes and have been approved by the Commission's Board.

18. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.