Legal Aid Ontario

2012/2013 Annual Report

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Letter to The Minister

July 2, 2013

The Honourable John Gerretsen
Attorney General of Ontario
720 Bay Street, 11th floor
Toronto, ON M5G 2K1

Dear Minister,

Please accept, in accordance with Section 72 of the *Legal Aid Services Act*, 1998, the Annual Report for Legal Aid Ontario for the year ended March 31, 2013.

On behalf of the people of Ontario, we thank you, your ministry and the Government of Ontario for your ongoing support of Legal Aid Ontario and its mission to provide equal access to justice for low-income Ontarians.

Yours sincerely,

John D. McCamus, Chair
Legal Aid Ontario

Who we are and what we do

Who we are

Everyone deserves fair and equal access to justice.

At Legal Aid Ontario (LAO), our clients all have one thing in common: they're either low-or no-income individuals. Every day, LAO helps almost 4,000 disadvantaged people, including single parents seeking child support from delinquent ex-partners; victims of domestic violence; parents seeking custody of children to protect them from abuse; injured workers; refugees; and accused persons.

We are an independent, non-profit organization. Because we're publicly funded and publicly accountable, LAO has a responsibility to use our resources efficiently and effectively in meeting our clients' many diverse needs.

What we do

LAO helps financially eligible, low-income Ontarians in:

- criminal legal matters — most often, serious criminal charges where there is a strong likelihood of someone going to jail
- family legal issues such as divorce and separation, child custody and access, and support payments
- immigration and refugee cases such as risk assessment applications, detention reviews, appeals of deportation orders and Federal Court hearings, including stays of removal
- clinic law services such as social assistance appeals and help with landlord/tenant issues

Every day, Legal Aid Ontario helps almost 4,000 disadvantaged people.

Message from the Chair

We've all heard it said that change is the only constant.

This is as true at Legal Aid Ontario (LAO) as it is elsewhere.

The fiscal constraints in the public sector flowing out of the 2008 recession have put a premium on innovation and sound management throughout the public sector. LAO has responded well to these challenges.

The list of innovative accomplishments to both improve legal aid services and operate in a more cost-effective manner is long and growing: new approaches to delivering services in family law, improved administration of major cases in criminal law, the introduction of a new and improved block fee system, the development of sophisticated telephone and Internet services, expansion of service in courthouses across the province and major reductions in the cost of LAO's administration.

We continue to develop ways in which to best help our clients. Looking forward into the new fiscal year, LAO will implement new ways of delivering refugee and immigration services to respond to the federal legislation introduced in late 2012.

Another service delivery area that we will focus on is poverty law. It is clear that, as population trends have shifted and evolved, there is a need for a system of clinics that can respond in a supple fashion to the changing demographics of Ontarians suffering from poverty. LAO is collaborating with clinic boards and staff on how to achieve solutions to the twin problems of increasing demand for poverty law services and continuing fiscal constraint.

Meanwhile, the justice sector faces a number of challenges, including the over-representation of Aboriginal people and people with mental illness in the criminal justice system. While we already have a multi-year aboriginal justice strategy in place, we recently launched a mental health strategy. The objective is to better understand clients' needs and to increase our capacity to meet those needs.

At LAO, we are aware that our clients have intersecting needs that traverse the boundaries of criminal law, family law, poverty law, and immigration and refugee law. We fully recognize the importance of enabling LAO staff and clinics to provide services in a more holistic manner to address our clients' complicated legal needs.

On the horizon, LAO is focused on expanding eligibility — a goal that will require our partners in government to make tangible contributions toward meeting public need.

In all of these initiatives, LAO's staff, lawyers, students and volunteers in LAO offices, clinics and courthouses across the province have never lost sight of our mandate as we continue to embark on ambitious plans to improve service delivery models for legal services for low-income Ontarians. It is a great personal privilege to work with so many dedicated people. Recognition is also due to my colleagues on LAO's Board of Directors for their tireless efforts towards maintaining a fair and equal justice system in the province. I offer them my sincere appreciation.

John McCamus

Message from the CEO

Over the past several years, LAO's focus has been on modernizing all aspects of the legal aid system to provide a broader slate of services that better meet our clients' legal needs — services such as a toll-free telephone service available in over 200 languages; guidance from a lawyer through summary legal advice; enhanced duty counsel services; and updated public legal information and web-based tools.

As a publicly funded non-profit organization, LAO serves our clients while remaining accountable to taxpayers. Over the past year, LAO's concentrated efforts to do more with less have resulted in serving more clients while reducing the cost of service per client. LAO has eliminated its $28 million annual deficit over the last four years and reduced our accumulated debt by 52 per cent.

Initiatives such as the expansion of LAO offices to 56 courthouses across the province, the availability of six family law service centres and increased mediation services have improved the ways in which LAO directly provides legal aid services to clients. The percentage of staff now involved in these types of frontline work has increased from 23 per cent in 2009/10 to 59 per cent in 2012/13 — a 156 per cent increase.

Equally worthy of note is the fact that, while direct client service has increased, the total percentage of administrative costs has gone down by 50 per cent. This meets our goal of increasing our clients' access to justice while eliminating unnecessary costs and time spent on administration.

Throughout the fiscal year, LAO made it a point to engage stakeholders as we worked on various organizational initiatives. Stakeholders were kept apprised of our modernization strategy and our activities to support legal aid reforms. LAO made it clear that stakeholder input is valued and considered in LAO's decision-making process.

The statistics and the charts outlined in this annual report offer only a glimpse of all the hard work of LAO's employees, clinic staff, private bar lawyers, students and volunteers as they continue to focus their efforts on providing clients with the best quality service available. They are the face of Ontario's legal aid system and LAO applauds their hard work for and commitment to LAO's mandate to faster access to justice for those most in need. Without this dedication, legal aid in Ontario would not be as effective as it is today.

Robert Ward

The statistics and the charts outlined in this annual report offer only a glimpse of all the hard work of LAO's employees, clinic staff, private bar lawyers, students and volunteers as they continue to focus their efforts on providing clients with the best quality service available.

Board of Directors

LAO's Board governs and manages the organization's affairs and is composed of people appointed by the Attorney General or the Law Society of Upper Canada.

Standing, left to right: Bob Ward (ex-officio member), W. A. Derry Millar, James Yakimovich, John Liston, Aly N. Alibhai. Seated: Nancy Cooper, John D. McCamus (Board Chair), James McNee, Michelle Haigh. (Absent: Timothy Murphy)

Name	Nomination	Lawyer	Effective date	End date
John McCamus, Chair	Attorney General	Yes	July 5, 2007	July 2016
Aly Alibhai	Law Society	Yes	May 25, 2004	July 18, 2015
James McNee	Attorney General	No	June 25, 2008	September 2015
James N. Yakimovich	Attorney General	No	June 25, 2008	August 2015
John Liston	Law Society/ Attorney General	No	March 19, 2008	June 5, 2015
Michelle Haigh	Law Society	No	April 18, 2011	April 17, 2013
Nancy Cooper	Law Society	Yes	February 18, 2009	February 17, 2014
Timothy John Murphy (on leave)	Law Society	Yes	March 25, 2009	March 24, 2014
W.A. Derry Millar	Attorney General	Yes	April 18, 2011	April 17, 2013
Robert Ward, President/CEO/Ex-officio board member	LAO Board of Directors		Sept. 5, 2006	N/A

The committees

Advisory committees

Community representatives and LAO Board members make up advisory committees, which are required, by provincial law, to advise on areas such as criminal law, family law and clinic law. The role of these committees is to provide input and advice to the LAO Board, to support LAO's annual strategic and business planning processes.

In addition to these required committees, LAO has formed others including:

- Immigration and refugee law
- Mental health law
- Prison law
- Aboriginal justice law
- French language services

For the new two-year membership term of 2013/15, new members were appointed in addition to the re-appointment of some returning members.

Area committees

Area committees hear appeals from decisions of area directors who have refused or cancelled a legal aid certificate. The area committees also decide whether to issue certificates in appeal cases.

There are nine area committees as well as special committees to deal with immigration and serious criminal matters.

2012/13 Summary

Value for our clients

Strategic goal:

To provide a range of high-quality services that meets the legal service needs of low-income Ontarians.

Value for taxpayers

Strategic goal:

To be accountable and provide value for taxpayer money in delivering client-focused services.

Value for our service providers

Strategic goal:

To work collaboratively with the private bar and clinics in delivering legal aid services for low-income Ontarians.

Institutional enhancements

Strategic goal:

To build capacity to enable LAO to deliver the highest quality service and meet its mandate and goals.

Value for our clients

Strategic goal:
To provide a range of high-quality services that meets the legal service needs of low-income Ontarians.

What we did this year

In 2012, LAO had a very real need to look at the ways we delivered refugee and immigration services.

New federal legislation — the *Protecting Canada's Immigration System Act* and *Balanced Refugee Reform Act* — came into effect in December, while the Ottawa office of the Immigration and Refugee Board (IRB) closed.

Because LAO places the highest priority on providing high-quality legal aid services to all of our low-income clients — including refugees seeking asylum and those requiring immigration law services — in an innovative and cost-efficient manner, we took steps to modernize LAO's refugee and immigration services.

LAO implemented interim procedures to accommodate the new legal landscape while seeking feedback through 13 consultation sessions on a proposed new refugee law services delivery model. We also improved refugee resources on our LawFacts website to outline what is now required to make a refugee claim, important deadlines to keep in mind, and helpful resources to get the process started. Since these resources were added to LawFacts, there have been over 8,700 visits.

Our modernization plans in refugee law mirror initiatives already underway — since 2009 — in other areas of law, as we seek new and innovative ways to offer different channels of client service in a period where LAO received limited funds.

And, during every step of the way, LAO has remained committed to being accountable and transparent in its endeavors, alerting our clients and our stakeholders of new initiatives and services.

2012/13 Summary

During this fiscal year, LAO:

- collaborated with Toronto's Rexdale Community Legal Clinic to start the Rexdale Youth Initiative, which links low-income youth aged 25 and younger to duty counsel lawyers for advice on criminal matters
- opened a Family Law Information Centre on Six Nations of the Grand River reserve, offering information and legal advice, duty counsel services and limited certificate services to eligible clients
- started offering a settlement conference service to residents in Sarnia-Chatham to help clients resolve their Children's Aid Society legal matters faster and more effectively outside of court proceedings
- began to develop a multi-faceted strategy to improve legal aid services for clients with mental health issues to help these vulnerable individuals in a more empowering and holistic manner
- started working with the Toronto law firm Lenczner Slaght to help advocate for refugees at risk of immediate deportation
- revised its application process for refugees to include a country list and "streams" that accommodate the new shortened refugee client timelines and expedite decision-making on applications for legal aid certificates

This fiscal year, LAO started offering a settlement conference service to residents in Sarnia-Chatham to help clients resolve their Children's Aid Society legal matters faster and more effectively outside of court proceedings

Value for taxpayers

Strategic goal:
To be accountable and provide value for taxpayer money in delivering client-focused services.

What we did this year

In a climate of modest economic growth, all public organizations have been looking at ways to provide services in a more cost-effective manner. LAO is doing the same — while maintaining our priority of helping low-income Ontarians access justice.

In May 2012, LAO released a discussion paper to provide ideas on the future development of clinic law delivery services throughout the province. Throughout the fiscal year, we kept clinics up-to-date with information about a set of proposed guidelines that will allow clinics to take control of managing their own pool of compensation funding.

The updates help to lay the groundwork for in-person consultations with community and specialty legal clinics in the summer of 2013.

Over the course of 2012/13, LAO also increased the use of legal aid workers and paralegals to help provide clients with more frontline service. This allows duty counsel, in turn, to augment their court duties with more services, providing eligible clients with face-to-face advice and assistance.

Meanwhile, LAO — in line with the Auditor General's recommendation — continued to study financial eligibility guidelines and their impact on low-income Ontarians. An extensive study will eventually pave the way for a strategy to modernize and expand financial eligibility for legal aid.

LAO's modernization process has been ongoing since 2009 and has not only built organizational capacity but improved cost-effectiveness and accountability for the use of public funds. As part of our commitment to transparency, we have kept our stakeholders up-to-date on all initiatives as information has become available.

2012/13 Summary

During this fiscal year, LAO:

- released a discussion paper to support the province-wide strategic planning exercise to develop ideas for the future of clinic law delivery services in Ontario
- partnered with Humber College's Paralegal Studies program to help students gain hands-on experience in the justice system at work placements throughout the GTA and, possibly, consider a career in poverty law
- helped low-income London area residents resolve their criminal law matters faster through LAO's resolution duty counsel lawyer service, which allows senior legal aid lawyers to meet face-to-face with Crown Attorneys and settle appropriate cases outside the courtroom
- started offering expanded duty counsel services in Barrie and the GTA, by advising clients in their community, planned training days for their peers and stepping in as duty counsel when a courtroom's regular duty counsel can't come in

Over the course of 2012/13, LAO increased the use of legal aid workers and paralegals to help provide clients with more frontline service

In 2011/12, LAO helped low-income London area residents resolve their criminal law matters faster through the resolution duty counsel lawyer service

Value for our service providers

Strategic goal:
To work collaboratively with the private bar and clinics in delivering legal aid services for low-income Ontarians.

What we did this year

LAO works with the private bar and with clinics to provide access to justice to low-income Ontarians. To maintain these strong relationships, LAO regularly keeps our stakeholders informed about upcoming projects and encourages feedback so that, together, we can provide the most effective service to our clients.

Over the course of the fiscal year, LAO held consultations — both in person and by video conference — on:

- guidelines for discretion, which is a compensation tool that allows LAO to approve, in exceptional circumstances, lawyers' written requests for additional compensation above the hourly tariff rate
- a new refugee law services delivery model to address new federal refugee legislation, rising costs and reduced funding

Feedback was collected and published; questions sent in were answered; updates were posted in a central online location. With a view towards transparency and strong relationships, new processes reflect the feedback provided.

In November 2012, discretion guidelines came into effect, providing greater certainty and payment fairness for lawyers while maintaining LAO's effective stewardship of public funds and use of limited resources.

Meanwhile, work continued on a clinic information management system (CIMS), which is expected to streamline administrative work, increase clinics' capacity to perform statistical reporting and develop clinic performance measures.

Throughout the fiscal year, the CIMS project team worked regularly with clinic working groups and conducted several onsite clinic visits to gather and define business requirements. To ensure everyone in the clinic community had input into the new system, several online consultations were held to allow all clinic users to provide feedback.

With documentation on CIMS requirements finalized in March 2013, a solution will be selected early in the new fiscal year.

Where possible, LAO takes our service providers' requests into consideration and will always clarify any misconceptions and rumors surrounding our services and operations. LAO fully recognizes that, by working in tandem with our service providers, we can find creative new ways in which to serve our clients in this challenging economic climate.

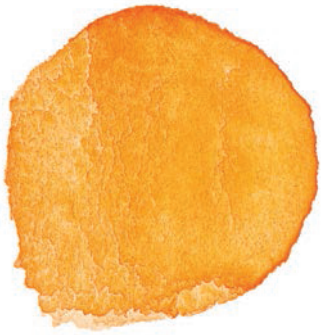
2012/13 Summary

During this fiscal year, LAO:

- advised legal clinics of a strategic plan to transform the delivery of poverty law services
- enhanced *Legal Aid Online* to:
  - provide lawyers with a daily summary of their billing positions as well as the status of their annual billing limit
  - allow lawyers to attach dockets, disbursement invoices and court information when they submit block fee accounts
- piloted a process through the toll-free service line to manage conflicts of interest when two people on opposite sides of a family law matter could each qualify for, and benefit from, LAO services
- supported refugee requests to fast-track financial eligibility confirmation for refugees seeking judicial review
- addressed myths and rumours surrounding our services and operations by posting commonly discussed misconceptions and providing clarification.

Throughout the fiscal year, the CIMS project team worked regularly with clinic working groups and conducted several onsite clinic visits

Institutional enhancements



Strategic goal:
To build capacity to enable LAO to deliver the highest quality service and meet its mandate and goals.

What we did this year

LAO operates under a structure of accountability outlined in the *Legal Aid Services Act*, 1998, the Human Rights Code, provincial policies, agreements with clinics and our own internal policies. We are also governed by a Memorandum of Understanding (MOU) with the Attorney General of Ontario.

At LAO, being accountable also means being transparent. To this end, we introduced a quarterly performance overview to provide stakeholders with timely updates on our financial position, client services and legal aid certificates.

In keeping with our ongoing modernization strategy, LAO made improvements to our business planning practices and project management office coordination to help us operate as efficiently as possible.

In addition, we continue to welcome staff lawyers, articling students and summer students to our Lawyer Workforce Strategy, a talent management initiative which allows staff to gain experience and training through rotations in the various areas of law that LAO practices.

At LAO, we introduced a quarterly performance overview to provide stakeholders with timely updates on our financial position, client services and legal aid certificates

2012/13 Summary

2012/13 Summary

This year's annual report includes new services that have not been measured or recorded in the past. LAO is refining performance measures as it continues to develop new methods of delivering client services.

Special domestic violence services

Domestic violence victims in need of immediate help can get a two-hour consultation — regardless of their immigration or financial status — with a private lawyer through the Family Violence Authorization Program, which is offered through some shelters and community legal clinics. In 2012/13, 2,546 two-hour consultations took place.

At the start of 2013, LAO joined forces with a local YWCA initiative — the Support Team for Abuse Response Today (START) — to ensure that calls to LAO's toll-free line from domestic violence victims seeking legal advice receive immediate support and services.

Over the fiscal year, from April 1, 2012 to March 31, 2013, there were 9,482 applications with domestic violence reported in the case.

Of these applications, 7,880 certificates were issued.

Toll-free telephone services

Legal aid help is available in over 200 languages through LAO's toll-free number. Whether you're looking for information about legal aid services, the type of services you qualify for or have questions about your legal aid application, you'll be able to access a wide range of general information, summary legal advice and applications for legal aid.

Calls are streamed into two tiers. Tier 1 representatives match clients with the appropriate service and make referrals to other programs.

Tier 2 representatives assess clients for financial eligibility, provide legal information, take applications for the certificate program and refer clients to staff lawyers for legal advice in either family law, criminal law or immigration law.

From April 2012 to March 2013, 37 per cent of calls were immediately resolved, and 35 per cent of calls resulted in the issuance of a certificate.

The total call volume to the toll-free hotline for the 2012/13 fiscal year was 257,573, a decrease from 271,958 calls in the 2011/12 fiscal year.

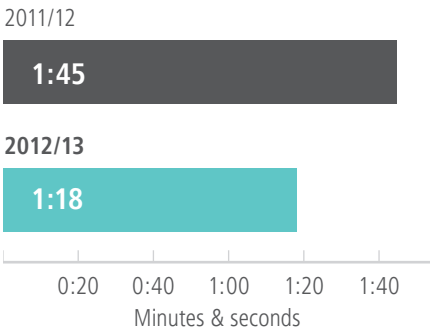
2012/13 Summary

Summary legal advice

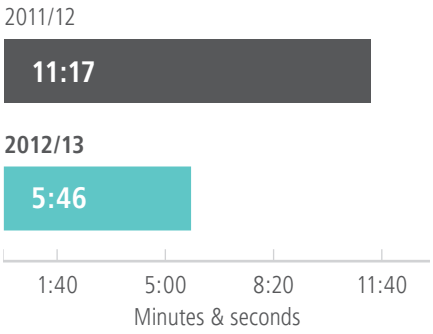
Wait times improved over the 2012/13 fiscal year. The average wait time for tier one calls was 1 minute 18 seconds, down from 1 minute 45 seconds. The average wait time for tier 2 calls was 5 minutes 46 seconds, down from 11 minutes 17 seconds.

Average wait times

Tier 1



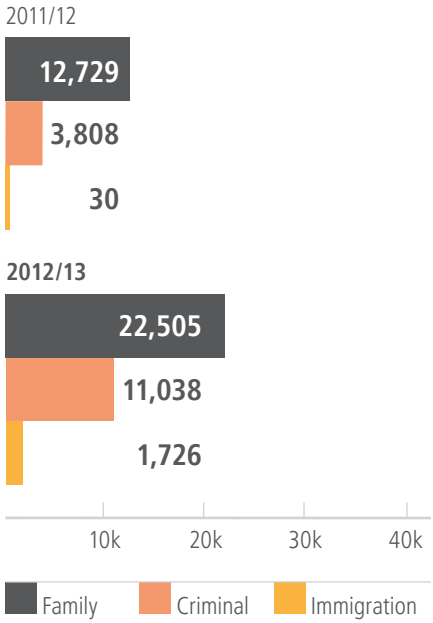
Tier 2



If you're financially eligible, you can get advice on criminal, family law or immigration issues from a lawyer for up to 20 minutes through LAO's toll-free number, to prepare you for an in-person duty counsel visit.

Over the course of 2012/13, summary legal advice services were expanded to stream clients to appropriate services with dedicated areas for criminal law, family law and immigration law. In total, the number of summary legal advice clients increased 113 per cent, to 35,269 clients.

Summary legal advice services by phone



2012/13 Summary

In-court services

LAO has increased the number of service options available to clients in the courthouse, including legal aid workers and mediation services to support duty counsel. These services combined with LAO phone-based services allow clients to be triaged to the correct service prior to contacting duty counsel.

Duty counsel are now able to spend more time with clients and move cases to resolution and provide fewer non-dispositive services. This results in more effective duty counsel services and allows LAO to allocate non-lawyer resources to other client services.

Legal aid workers

Legal aid workers are available in many courthouses or at legal aid offices. When located at the courthouse, a legal aid worker's services can range from assisting clients with in-person certificate applications, to contacting sureties or even adjourning matters in first-appearance court. The presence of legal aid workers in the courts supports other LAO services such as duty counsel.

In July 2012, LAO introduced a new system, the CourtWorker Transaction (CWT) tool, which allows LAO's non-lawyer staff to track services that are provided to clients at the courthouse. Since the launch of the CWT tool, LAO's courtworkers have provided 101,713 services to clients.

Legal aid workers help support duty counsel in court

Duty counsel services

Duty counsel service is like the "emergency room" of the court system.

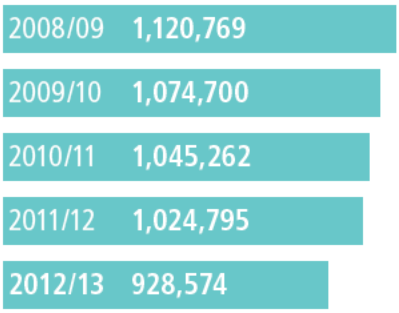
Duty counsel are lawyers who can quickly assess a person's legal problems and provide frontline advice, information and representation to people who would otherwise be unrepresented and unassisted in the courtroom.

LAO provides duty counsel services in most Ontario courthouses, including in more than 30 remote and fly-in locations.

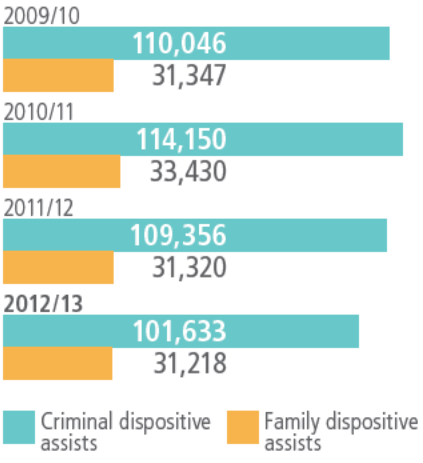
The number of assists by duty counsel has decreased by 9.4 per cent, from 1,024,795 in 2011/12 to 928,574 in 2012/13. This decrease in services is consistent with the decreasing trend of events being heard at courts, as well as the continued progress of the Justice on Target initiative, which is seeing further reductions in the number of adjournments attended by LAO. Additionally, LAO's legal aid workers at the courthouse are able to support duty counsel by providing certain duty counsel services under appropriate supervision, so that LAO makes the most effective use of its per diem and staff lawyers.

2012/13 Summary

Total duty counsel assists provided



Dispositive assists provided by duty counsel



Dispositive assists

In addition, LAO tracks duty counsels' dispositive assists — which help a case progress towards resolution.

Civil/family dispositive assists include emergency motions, obtain consent orders, argue motion/application/adjournments, support enforcement proceedings, support inter-jurisdictional support hearings, or conduct *Child and Family Service Act* (CFSA) temporary care and custody, CFSA status review, CFSA apprehension, parole hearing or disciplinary hearings.

During the FY 2012/13, family duty counsel provided 31,218 dispositive assists.

Criminal dispositive assists include trials, withdrawal of all charges, guilty pleas/speaking to sentence, judicial interim release proceedings, diversion/extra-judicial sanctions, peace bond/recognizance, hearings to rescind bench warrants, mental health assessment order hearings, sentence reviews and appeals de novo.

Criminal duty counsel provided 101,633 dispositive assists over the 2012/13 fiscal year.

Mediation services

In family law, duty counsel across the province provide mediation support and may, in some cases, attend at mediation with clients.

In 2012/13, LAO's family mediators met with 1,390 clients.

Family law information centres

These centres offer free assistance and information on family law issues. Clients can speak with lawyers who can provide general legal advice and help with preparing documents. During the fiscal year, 77,341 services were provided by duty counsel at family law information centres.

2012/13 Summary

The certificate program: representation by a lawyer

If a client is financially eligible and their legal needs warrant it, a client will be advised to apply for a certificate, which covers the cost of a lawyer.

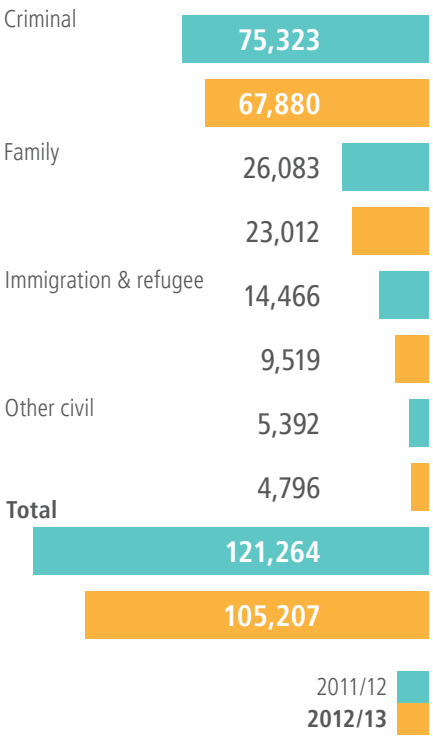
The certificate is like a voucher, guaranteeing that one of more than 4,000 private practice lawyers in Ontario who participate in the legal aid certificate program will be paid to represent an LAO client for a certain number of hours.

Number of applications

The total number of applications for certificates decreased by 13 per cent from the previous year, totaling 105,207 in 2012/13.

Acceptance rate for applications

The acceptance rate for legal aid certificates increased from 77 per cent to 86 per cent from 2007/08 to 2012/13. Due to more effective triaging of clients prior to an application for certificate services, clients are now directed to the right service depending on their legal need, including summary legal advice and duty counsel services where appropriate. The acceptance rate has now leveled off at approximately 87 per cent.



Fiscal Year	Applications taken	Certificates issued	Acceptance rate (%)
2006/07	141,757	109,191	77%
2007/08	138,614	107,299	77%
2008/09	144,900	117,169	81%
2009/10	134,580	109,310	81%
2010/11	115,101	100,387	87%
2011/12	121,264	105,547	87%
2012/13	105,207	90,369	86%

2012/13 Summary

Number of certificates

In FY 2012/13, the total number of certificates issued was 90,369, down from 105,547 certificates issued in the previous fiscal year, constituting a 14 per cent decrease.

- Criminal certificates decreased by 11 per cent to 58,685
- Immigration and refugee certificates decreased by 38 per cent to 8,430
- Family certificates decreased by 12 per cent to 18,923
- Other civil certificates decreased by 11 per cent to 4,331

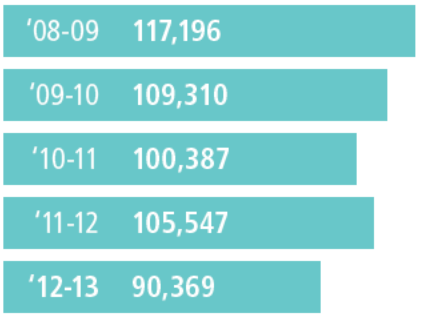
The decrease in the number of certificates issued within the criminal, family and other civil categories is a result of the greater availability of alternative legal aid services LAO provides, as well as changes in demand for legal services.

The number of immigration and refugee certificates was significantly affected by the changes to Canada's asylum system (under the *Balanced Refugee Reform Act and the Protecting Canada's Immigration System Act*), which came into effect on Dec.15, 2012. The number of refugee applicants has dropped significantly within Ontario and this resulted in fewer legal aid certificates for refugee matters.

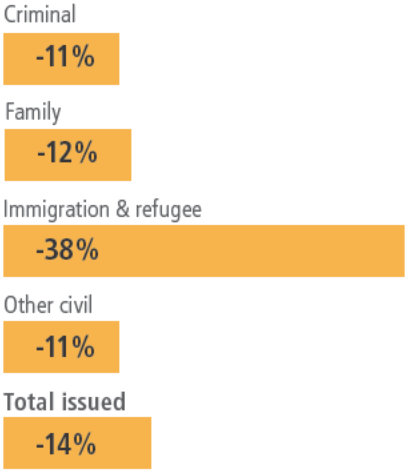
Number of legal aid certificates issued by category

Category	2008/09	2009/10	2010/11	2011/12	2012/13
Criminal	68,453	63,501	58,670	65,633	58,685
Family	30,107	27,488	24,614	21,406	18,923
Immigration & refugee	12,706	12,904	12,453	13,637	8,430
Other civil	5,903	5,417	4,650	4,871	4,331
Total certificates issued	**117,169**	**109,310**	**100,387**	**105,547**	**90,369**

Total certificates issued by LAO



Change in certificates issued from last year (%)



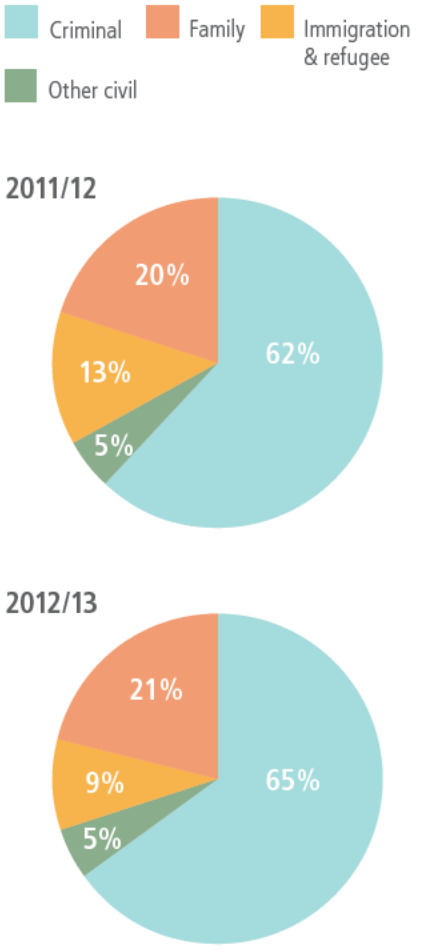
2012/13 Summary

Average cost of legal aid certificates

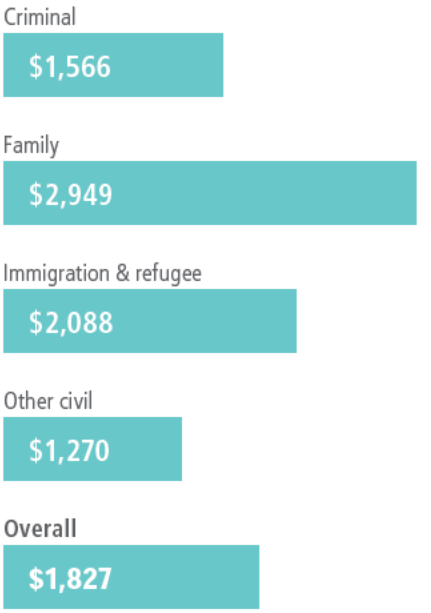
The average cost for a completed certificate increased by 6.5 per cent, from $1,715* in 2011/12 to $1,827 in 2012/13. Since April 2010, there have been annual five per cent increases to the hourly tariff and block fee rates paid to lawyers for their work on LAO certificates. These annual increases will continue through to April 2015 and LAO expects that the average case cost will continue to increase accordingly.

*Note: The average case cost figure previously reported for FY 2011/12 has been restated.

Distribution of legal aid certificates by category



Average certicate cost 2012/13

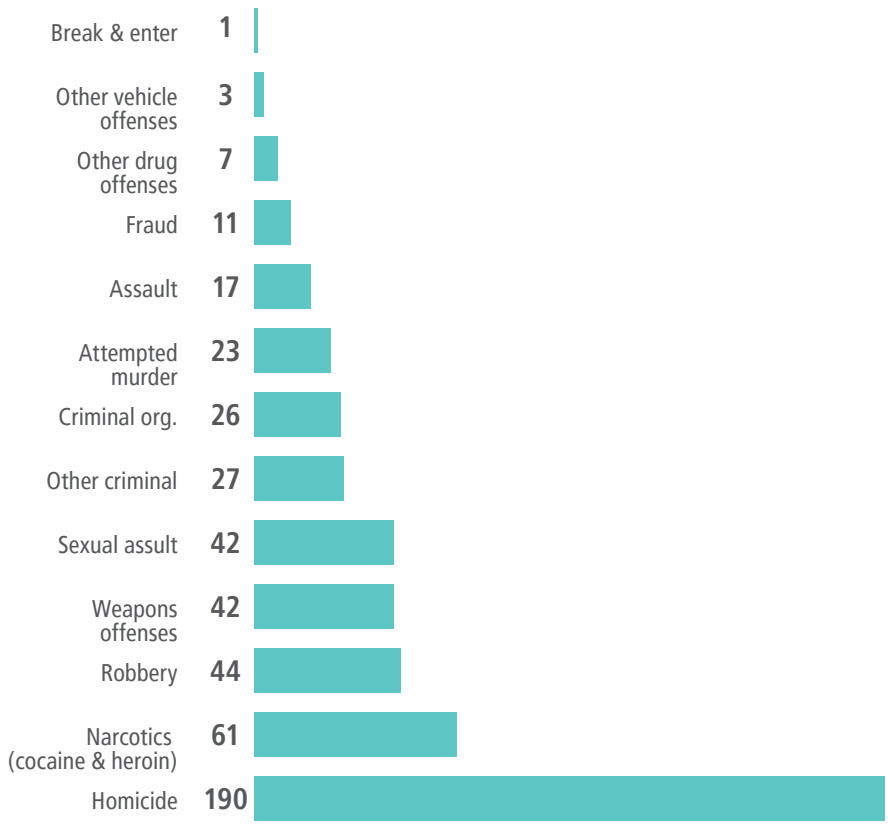


Case management and litigation

The Case Management and Litigation Group manages all homicide trial and homicide appeal cases regardless of cost level, and cases for other criminal charges that reach the Big Case Management threshold of $20,000. Cases with a projected cost of over $20,000 are managed under the Big Case Management (BCM) program and homicide cases with a projected cost of $8,000 to $20,000 are managed under the Mid-level Case Management program.

The Case Management and Litigation Group also manages the Protocol Case program on behalf of the Ministry of the Attorney General and Department of Justice Canada. Protocol cases occur when an accused is unrepresented, isn't eligible for legal aid, and the court orders the appointment of counsel. Protocol cases cost $5.8 million in the 2012/13 fiscal year.

Number of BCM certificates by category



2012/13 Summary

Family law service centres

Family lawyers at these centres can help clients get a lawyer and also help with custody, access, support, child protection, restraining orders, equalization claims and property division, at all levels of court, including trial and appellate work.

Family law service centres offer eligible clients a range of legal resources and support for family matters. There are family law service centres located in Toronto, North York, Newmarket, Brampton, Chatham and Sarnia.

During the fiscal year, there were approximately 40,000 clients who received help at these centres, getting help with documents, mediation and settlement conferences, referrals to advice counsel or social service agencies, full representation in cases by a staff lawyer or referral to a private lawyer in certain instances.

The services provided by Family Law Service Centres were a factor in the reduction of family law certificates issued by LAO in 2012/13.

Clinic active files

	2008/09	2009/10	2010/11	2011/12	2012/13	% change 2008-12
Speciality	26,008	29,147	33,223	34,456	25,992	0%
Southwest	39,287	43,699	43,571	41,960	42,460	8%
Northern	15,943	16,718	16,419	17,291	18,929	19%
GTA	56,209	57,712	59,506	62,116	60,977	8%
Central & East	47,696	48,631	50,477	50,390	54,032	13%
Total	**185,143**	**195,907**	**203,196**	**206,213**	**202,390**	**9%**
Total cost (000$'s)	**57,628**	**57,189**	**64,874**	**64,882**	**66,664**	**16%**
Cost/active file	**$311**	**$292**	**$319**	**$315**	**$329**	**6%**

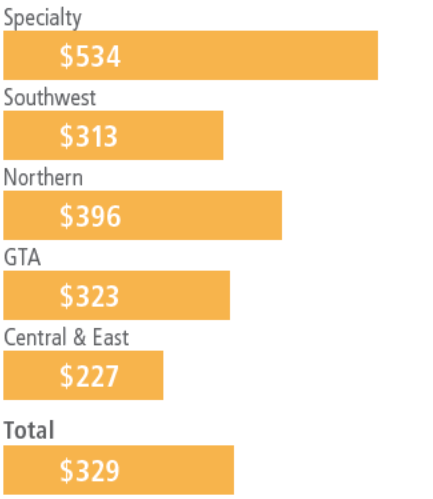
Community and specialty clinics

Low-income clients can find help with housing issues, government assistance cases, civil appeals, tribunals and proceedings through the independently-run community legal clinics and specialty clinics LAO funds.

There are 77 independent community legal clinics throughout the province, including 17 specialty clinics.

In 2012/13, the clinic program received $66.7 million. The charts below outline the cost per active file by region. A variety of factors including length of case, complexity and client needs, can affect the cost per file. With the development of CIMS, more accurate and detailed information will be available to support clinics in managing costs.

Clinic cost/active file



2012/13 Summary

Clinics in dispute resolution

Pursuant to LAO's memorandum of understanding with legal aid clinics, LAO established a dispute resolution policy. The policy provides a framework for addressing and resolving situations in which LAO believes that a clinic is not complying with its obligations under the *Legal Aid Services Act*.

The policy establishes a three-level dispute resolution process:

1. investigation and informal settlement
2. support and management assistance
3. formal resolution

The levels are graduated and the process becomes progressively more formal at each level. As of March 31, 2013, LAO had three clinics at varying stages of dispute resolution. LAO continues to work with the boards of these three clinics to ensure that the issues can be resolved and that client services can continue to be provided.

West Toronto Community Legal Services

- LAO's Clinic Committee was asked to reconsider its decision not to approve funding for the clinic for 2012/13. The committee agreed to adjourn its reconsideration meeting, subject to specific terms and conditions related to board governance, operational and financial management and LAO oversight.
- The clinic has been given approximately two quarters to demonstrate its compliance with the terms and conditions. In October 2013, LAO will conduct an assessment of the clinic's compliance with all terms and conditions of LAO's funding. The assessment will be submitted to the clinic committee for determination if the clinic merits continued funding.
- At this time, LAO is continuing its oversight and funding of the clinic.

African-Canadian Legal Clinic

- Placed in dispute resolution in 2010 as a result of concerns about financial management and board governance. The clinic is in dispute resolution level 2.
- LAO engaged an auditor to conduct an independent forensic review.
- ACLC has been provided a copy of the forensic review, and LAO is reviewing the report to determine next steps.

Stormont Dundas Glengarry

- The clinic remains in dispute resolution level 2. LAO attends all board meetings as an observer.
- LAO sent a letter to the clinic board proposing the clinic be removed from the dispute resolution process. Conditions of the proposal are:
  - LAO and board to agree on clinic performance measurement criteria
  - LAO and board to agree to the time period for monitoring
  - the LAO observer to continue for the agreed upon time period
  - compensation funding increases retroactive to April 1, 2012 to be provided if all conditions were met.

2012/13 Summary

Student Legal Aid Services Societies

Funded by LAO, supervised by review counsel and delivered by volunteer law students out of Ontario's six law schools, Student Legal Aid Services Societies (SLASS) provide public legal education and deliver legal advice and representation to low-income Ontarians who cannot afford a lawyer.

The SLASSs are:

- Queen's Legal Aid – Queen's University
- University of Ottawa
- Downtown Legal Services – University of Toronto
- Community and Legal Aid Services Program (CLASP) – Osgoode Hall Law School, York University
- Community Legal Services – Western University
- Community Legal Aid – University of Windsor

In 2012/13, SLASSs received $3.2 million in funding. Some of the major new initiatives spearheaded by SLASSs include the following:

› Queen's Legal Aid stepped in to provide free administrative support for the Elder Law Clinic at Queen's Faculty of Law after the departure of the professor who had started the clinic. Queen's Legal Aid will continue this relationship with the Elder Law Clinic.

› Western University's Community Legal Services started an Eviction Prevention Project to represent clients on short notice (less than a week) at the Landlord and Tenant Board.

› CLASP started assisting clients in applying for ODSP benefits and ensuring they receive appropriate medical treatment. CLASP has had some successes in getting clients granted benefits at the ODSP application stage, and there have also been improvements in the legal outcomes for clients whose benefits are not approved at this stage.

Refugee Law Office

Lawyers and support staff are available at a staff office in Toronto, which specializes in immigration and refugee law. Eligible clients can receive help with their refugee claims and other risk assessment applications, detention reviews, appeals of deportation orders and Federal Court hearings, including stays of removal.

In 2012/13, the Refugee Law Office (RLO) provided 780 assists.

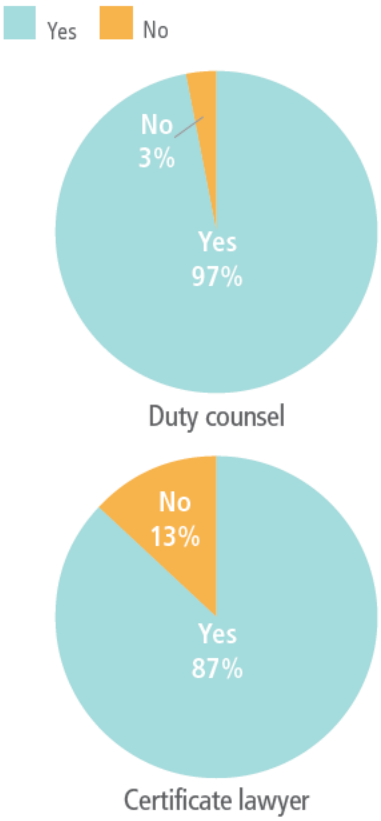
LAO started a review of the RLO in 2012/13 that will be completed in 2013/14. The review will assist the RLO in responding to the changes in refugee law and help the RLO manage resources more effectively.

2012/13 Summary

Client satisfaction

In order to track LAO's client satisfaction and assist in determining the impact that LAO services are having on clients and the justice system, LAO has been conducting a survey of clients and service providers for the past eight years. The 2012/13 survey was conducted from April to June 2012. A total of 11,648 surveys were distributed and 3,610 responses were received, for a total response rate of 31 per cent. A summary of the key findings are provided in this annual report.

Were clients well-served by duty counsel and certificate lawyers?

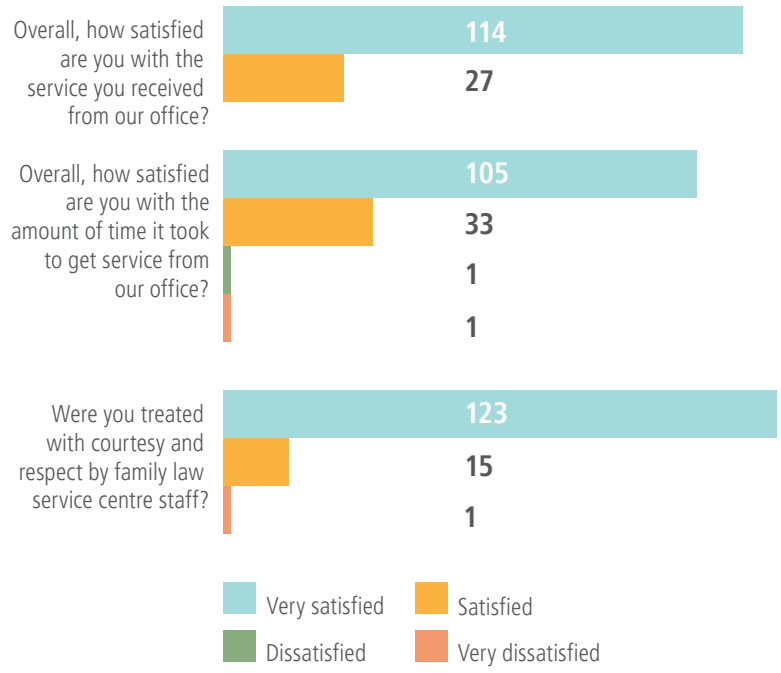


LAO continues to compare favourably in terms of client satisfaction to other client satisfaction surveys conducted in the public service sector. LAO maintained an overall 98 per cent satisfaction in the 2012/13 fiscal year.

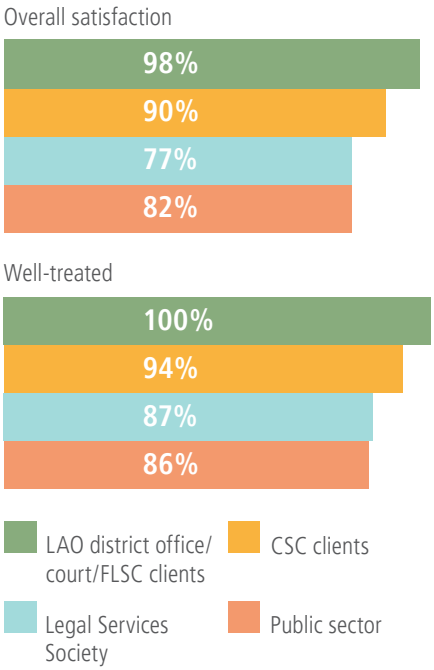
A significant portion of clients served by LAO continue to indicate that they would self-represent if LAO services were not available.

2012/13 Summary

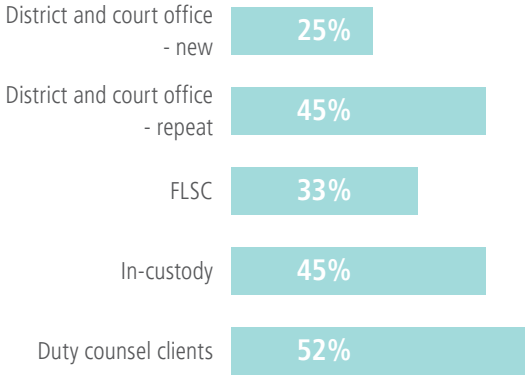
Satisfaction indicators at family law service centres



Overall client satisfaction with LAO services - benchmarked against other satisfaction surveys



Percentage of clients indicating they would self-represent if not for LAO services (%)



2012/13 Summary

LawFacts.ca

LawFacts is a free online legal information resource that explains in plain language many aspects of law in Ontario. It helps people make more informed choices about their next steps.

With new federal refugee and immigration legislation introduced Dec. 15, 2012, LawFacts was updated with information on important deadlines, what's required to make a refugee claim, and helpful resources.

Since the updates, there have been 8,700 views.

Clinic Resource Office (CRO)

Clinic areas of law can be very complex and are constantly changing. According to a 2012 report by the Commission for the Review on Social Assistance, there are about 800 different rules and regulations within the social assistance system. CRO lawyers have specialized expertise in social assistance, housing, pensions, Employment Insurance, criminal injuries compensation and human rights.

In addition to providing expert advice and case-specific legal research, the CRO is also a specialized legal publishing house. More than 300 CRO-created publications were added to the CRO website in 2012/13.

By the end of the 2012/13 fiscal year, the CRO had more than 73,000 documents in its database, including key-worded tribunal and court decisions, published and unpublished policies, legal precedents, and social policy reports and submissions.

The CRO delivered more clinic law training sessions in 2012/13 than in 2011/12, and expanded to new audiences. CRO lawyers produced a pilot webinar, and made presentations at a family law open bar program and to Humber paralegal students as well as at clinic regional conferences and topical study groups.

The CRO also has a Court Litigation Support Service staffed by a barrister who increased clinic capacity to undertake court litigation in 2012/13 by providing a range of services and mentoring in social assistance, housing and human rights cases. In particular, the CRO barrister continued co-counselling with clinic caseworkers in co-operation with the Ontario Human Rights Commission in a complex, multi-party proceeding at the Human Rights Tribunal of Ontario involving the special diet allowance (SDA). The SDA is an additional allowance available to certain recipients of social assistance who require costly dietary modifications because of a medical condition. The litigating team continued to make advances in the last year, saving clinic caseworkers from having to litigate hundreds of cases individually.

2012/13 Summary

LAO LAW

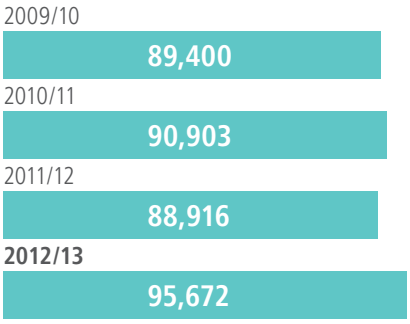
LAO LAW's research services are provided by staff lawyers who are subject matter experts in criminal, family, immigration and refugee, mental health and correctional law. Their services are available to panel lawyers representing clients on certificates, duty counsel, staff lawyers and clinic lawyers.

LAO LAW staff maintains and updates a general and specific issue memoranda website that allows for the cost-effective provision of research services. In addition to 1,347 memos, the website also contains 471 precedent facta in criminal, family and immigration and refugee law; practice manuals such as the *Bail Book* and *Pre-Removal Risk Assessment* manual; links to various research sources and other helpful materials for lawyers. The website also hosts a forensic science database, which links to different online forensic topic resources.

Over the fiscal year, lawyers accessed 95,672 documents or 8 per cent more documents on the LAO LAW website. Similarly, there were 50,297 log-ins this year, representing a 9 per cent increase. 2,814 panel lawyers accessed the website.

Lawyers at LAO LAW write a weekly newsletter about significant cases and also produce a newsletter, *LAW@LAO*, with more detailed articles on subjects that are of interest to legal aid lawyers.

LAO LAW documents accessed by fiscal year



How we were funded in 2012/13

Funding

LAO receives most of its funding from the Province of Ontario and the Law Foundation of Ontario.

In 2012/13, LAO received funding from the following sources:

	2012/13	2011/12	Increase/ decrease	% change
Total government funding	$347,549	$335,709	$11,840	4%
Law Foundation of Ontario	$22,295	$19,101	$3,194	17%
Client contributions	$12,069	$15,433	$(3,364)	-22%
Client and other recoveries	$675	$358	$317	89%
Investment income	$253	$327	$(74)	-23%
Miscellaneous income	$585	$730	$(145)	-20%
Total revenue	**$383,426**	**$371,658**	**$11,768**	**3%**

LAO spent a total of $374.2 million in 2012/13 on the following:

	2012/13	2011/12	Increase/ decrease	% change
Certificate program	$193,239	$195,986	$(2,747)	-1%
Duty counsel	$46,492	$45,927	$565	1%
Clinic program	$72,335	$70,762	$1,573	2%
Service innovation projects	$571	$507	$64	13%
Program support	$20,222	$18,463	$1,759	10%
Service provider support	$5,167	$5,215	$(48)	-1%
Administrative and other costs	$36,219	$36,079	$140	0%
Total expenditures	**$374,245**	**$372,939**	**$1,306**	**0%**

Modernization strategy

LAO's modernization strategy

In 2009, LAO established a modernization strategy to serve more clients more effectively and efficiently. In the aftermath of the October 2008 recession, Law Foundation of Ontario (LFO) revenues decreased from a high of $56.4 million in 2007/08 to a low of $4.8 million in 2009/10, requiring LAO to accelerate its modernization strategy to eliminate its deficit. Since then, over $40 million in savings have been achieved.

The main objectives of modernizing are for LAO to:

- operate within its financial resources
- reduce administration costs
- change LAO's service delivery model to match client need to the most appropriate type of legal aid service
- use alternative service delivery models like summary legal advice and the Client Service Centre to improve services, make it easier for clients to access LAO services and assist service delivery providers
- support the Ministry of the Attorney General's Justice On Target initiative

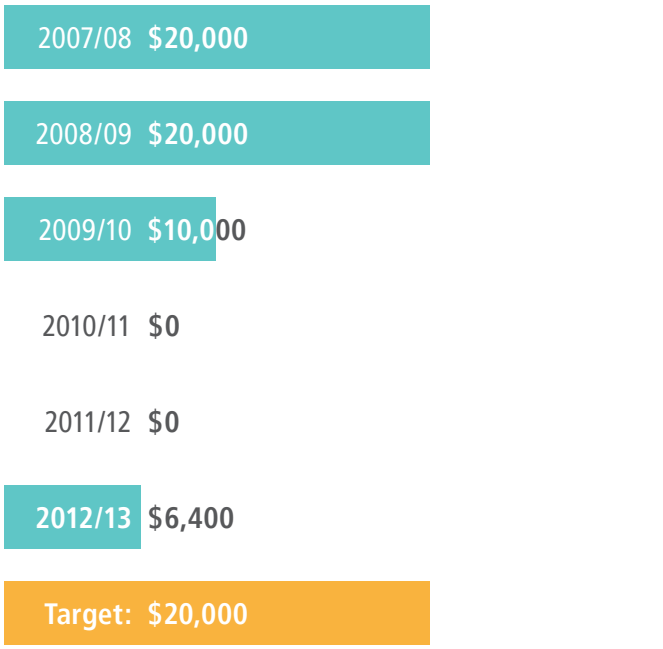
"... over $40 million in savings have been achieved."

LAO's financial framework

LAO adopted the following framework to guide its strategic financial management to:

- balance annual operating budgets
- ensure revenue sources that are stable, adequate (i.e., provincial and federal funding) and predictable (i.e., Law Foundation revenues)
- establish accumulated surplus or deficit targets (eliminate LAO's debt)
- ensure that cash position is sufficient to cover current liabilities
- sustain an appropriate contingency reserve fund balance to address unforeseen financial changes

Contingency reserve fund ($ thousands)



Modernization strategy

Meeting LAO's financial framework objectives

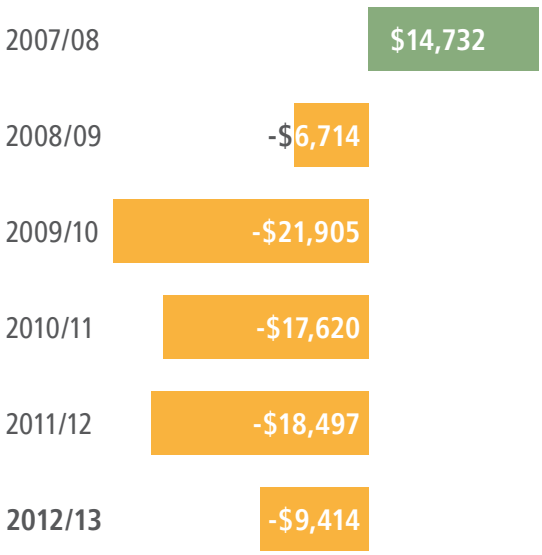
- **Balancing the annual operating budget**
  Over the last four years, LAO eliminated a $27.6 million operating deficit and ended the current fiscal year with a $9.2 million surplus which was applied to LAO's debt.

- **Eliminating LAO's debt**
  LAO's improved operating results have moved LAO towards its target of eliminating its accumulated debt. LAO's debt at March 31, 2013 was $9.4 million, a significant reduction from 2009/10 of $21.9 million.

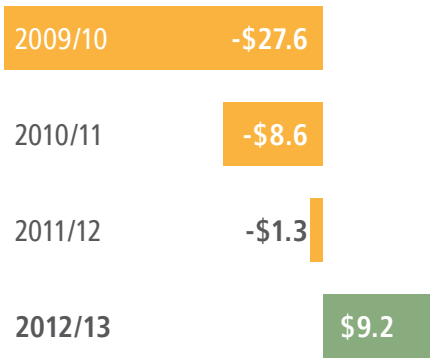
- **Ensuring an adequate contingency reserve fund**
  The *Legal Aid Services Act* allows LAO to maintain a $20 million contingency reserve fund to enable LAO to operate through changes in demand for services and future pressures.
  In 2012/13, MAG transferred $6.4 million in funding to LAO's contingency reserve fund: "…to support LAO in managing future risks as the result of changes to the funding environment and (the cost of unfunded) tariff increases, and for modernization and transformation initiatives." As a result, LAO's contingency reserve fund increased to $6.4 million at March 31, 2013.

- **Ensuring cash position is sufficient to meet current obligations**
  LAO's cash position has improved by about $9.6 million, as a result of the $9.2 million operating surplus. This ensures LAO can meet its obligations.

LAO accumulated surplus/deficit ($ thousands)

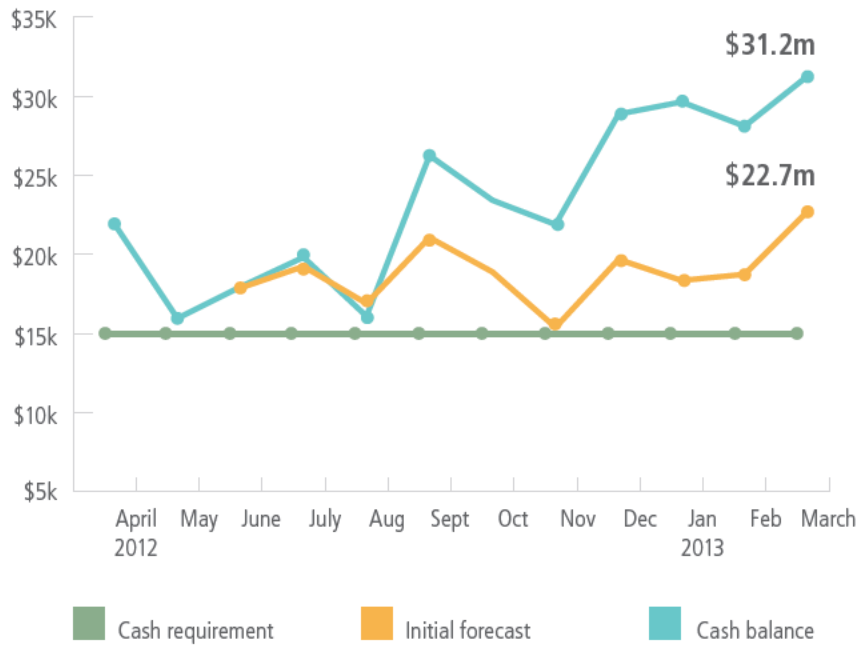


LAO annual operating surplus/deficit ($ millions)

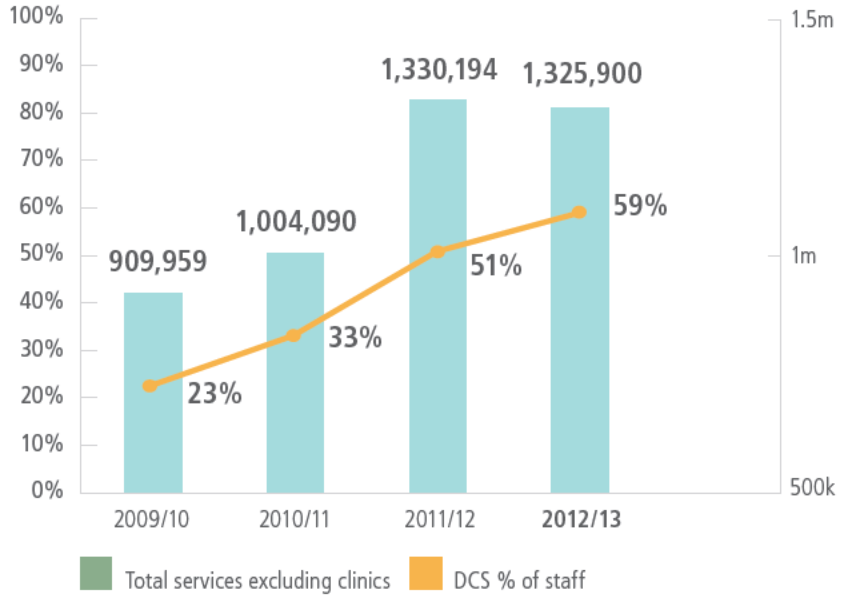


Modernization strategy

Cash flow forecast ($ Thousands)



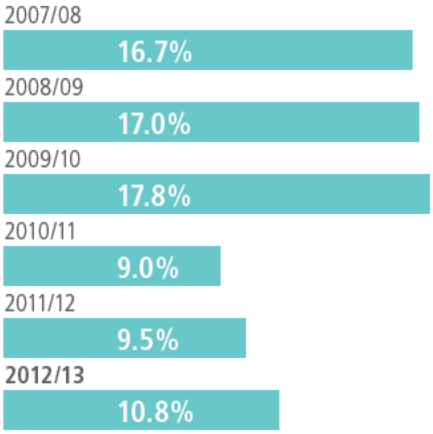
Total services / Direct Client Service (DCS) staff



Improvements to LAO's financial position were achieved by a number of key initiatives:

- Reducing administration costs by 40 per cent or by $25 million through the reconfiguration of 51 area offices focused mostly on administration activities to nine district offices focused on client service.
- Increasing the percentage of LAO staff providing direct service to clients from 22 per cent to 59 per cent, which means that an additional 272 staff are providing direct client assists.
- Changing LAO's service delivery model by matching services with the clients' needs thereby reducing the number of certificates issued and improving access and speed of services to clients through the implementation of a call centre (Client Service Centre), enhanced duty counsel services in courts and new family mediation services. As a result, LAO has increased the number of assists provided to client; thereby reducing the cost per assist.

LAO administrative cost comparison



Modernization strategy

LAO performance measures - Cost per assist

2009/10 2011/12
2010/11 **2102/13**

Clinics

$332.0
$318.3
$310.1
$319.1

Duty counsel (incl. Lawline)

$45.0
$52.7
$56.3
$61.8

CSC services

$35.9
$13.1
$15.4

Total excl. clinics

$304.4
$275.3
$227.2
$227.7

Total incl. clinics

$309.1
$282.7
$239.3
$237.6

Client service by type comparisons

2009/10 2011/12
2010/11 **2102/13**

Certificates issued

109,310
100,387
105,547
90,369

Duty counsel persons assisted

800,649
773,428
815,092
732,484

CSC services

130,275
409,555
401,334

Court workers

101,713

Total services

909,959
1,004,090
1,330,194
1,325,900

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian generally accepted accounting principles, with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

The accompanying financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.

Robert W. Ward
President and
Chief Executive Officer

May 31, 2013

Michelle Séguin
Chief Administrative Officer
and Vice President

May 31, 2013

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheets as at March 31, 2013, March 31, 2012 and April 1, 2011, and the statements of operations and changes in net accumulated deficit and cash flows for the years ended March 31, 2013 and March 31, 2012, 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 audits. I conducted my audits in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audits 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.

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

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2013, March 31, 2012 and April 1, 2011, and the results of its operations, changes in its net accumulated deficit, and its cash flows for the years ended March 31, 2013 and March 31, 2012 in accordance with Canadian public sector accounding standards.

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www.auditor.on.ca

Toronto, Ontario
June 5, 2013

Gary Peall, CPA, CA, LPA
Acting Auditor General

Legal Aid Ontario
Financial Statements
For the years ended March 31, 2013 and 2012

Legal Aid Ontario
Financial Statements
For the years ended March 31, 2013 and 2012

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Legal Aid Ontario

Balance Sheets

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
		(Note 15)	(Note 15)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 2)	**$ 19,509**	$ 9,866	$ 6,568
Short-term investments (Note 4)	**12,133**	12,131	16,589
Prepaid expenses and other assets	**1,347**	1,382	1,271
Client accounts receivable (Note 3(a))	**18,092**	13,458	11,475
Other receivables (Note 3(b))	**19,506**	11,725	13,789
	$ 70,587	$ 48,562	$ 49,692
Long-term client accounts receivable (Note 3(a))	**22,637**	25,918	22,222
Capital assets (Note 5)	**4,883**	4,785	5,124
TOTAL ASSETS	**$ 98,107**	$ 79,265	$ 77,038
LIABILITIES AND NET DEFICIT			
Current Liabilities			
Accounts payable and accrued liabilities (Note 6)	**$ 91,404**	$ 87,715	$ 88,965
Deferred capital contributions (Note 7)	**-**	-	21
Deferred grants and contribution (Note 8)	**4,168**	4,736	-
Accrued pension benefit (Note 12)	**666**	526	483
	$ 96,238	$ 92,977	$ 89,469
Contingency reserve (Note 13)	**6,400**	-	-
	$ 102,638	$ 92,977	$ 89,469
Net Deficit			
Net accumulated deficit	**$ (9,414)**	$ (18,497)	$ (17,534)
Invested in capital assets (Note 9)	**4,883**	4,785	5,103
	(4,531)	(13,712)	(12,431)
TOTAL LIABILITIES AND NET DEFICIT	**$ 98,107**	$ 79,265	$ 77,038

On behalf of the Board:

_____ Chair

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario

Statements of Operations

For the years ended March 31	2013 ($000's)	2012 ($000's)
REVENUE		(Note 15)
Total Government Funding (Note 1(a))	**$ 347,549**	$ 335,709
The Law Foundation of Ontario	**22,295**	19,101
Client contributions	**12,069**	15,433
Client and other recoveries	**675**	358
Investment income (Note 4)	**253**	327
Miscellaneous income	**585**	730
TOTAL REVENUE	**$ 383,426**	$ 371,658
EXPENSES		
Client Programs		
Certificate Program		
Criminal - Big Cases	**$ 22,733**	$ 22,715
Criminal - Others	**84,089**	86,063
Sub-total	**106,822**	108,778
Family	**49,166**	50,633
Immigration and refugee	**19,590**	21,875
Other civil	**5,606**	5,803
Sub-total	**181,184**	187,089
Settlement conferences	**101**	144
Family law offices	**5,602**	5,058
Criminal law offices	**839**	789
Refugee law office	**1,686**	1,177
Articling students	**2,060**	-
Nishnawbe-Aski legal services corporation	**1,767**	1,729
Sub-total	**193,239**	195,986
Duty Counsel Program		
Duty counsel fees and disbursements	**45,260**	44,782
Expanded duty counsel	**1,232**	1,145
Sub-total	**46,492**	45,927
Clinic Program and Special Services		
Clinic law services (Note 10)	**68,567**	67,064
Student legal aid societies	**3,200**	3,433
Clinic information management project	**568**	265
Sub-total	**72,335**	70,762
Service Innovation Projects		
Other	**571**	507
Sub-total	**571**	507

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario

Statements of Operations (Continued)

For the years ended March 31	2013 ($000's)	2012 ($000's)
EXPENSES (continued)		(Note 15)
Program Support		
Regional operations	**1,599**	1,595
District/Area office services	**13,149**	11,521
Client service center	**5,474**	5,347
Sub-total	**20,222**	18,463
TOTAL CLIENT PROGRAMS	**$ 332,859**	$ 331,645
Service Provider Support		
Research facility	**3,293**	3,312
Lawyers services and payments	**1,874**	1,903
Sub-total	**5,167**	5,215
Administrative and Other Costs		
Provincial office	**30,203**	29,718
Amortization expense	**1,630**	2,160
Bad debt expense	**4,386**	4,201
Sub-total	**36,219**	36,079
TOTAL EXPENSES	**$ 374,245**	$ 372,939
Surplus (Deficiency) of revenue over expenses for the year	**$ 9,181**	$ (1,281)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statements of Changes in Net Accumulated Deficit

For the years ended March 31,

	Invested in capital assets (Note 9) ($000's)	**Accumulated deficit** (Note1(c)) ($000's)	**2013 Total** ($000's)	2012 Total ($000's)
Net accumulated surplus (deficit), beginning of year	**$ 4,785**	**$ (18,497)**	**$(13,712)**	$(12,431)
Surplus (Deficiency) of revenue for the year	**(1,630)**	**10,811**	**9,181**	(1,281)
Purchase of capital assets	**1,728**	**(1,728)**	-	-
Net accumulated surplus (deficit), end of year	**$ 4,883**	**$ (9,414)**	**$ (4,531)**	$(13,712)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario

Statements of Cash Flows

For the years ended March 31	2013 ($000's)	2012 ($000's)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Surplus (Deficiency) of revenue over expenses for the year	**$ 9,181**	$ (1,281)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities:		
Amortization of capital assets	**1,630**	2,160
Amortization of deferred capital contributions	**-**	(21)
Changes in non-cash balances:		
Client accounts receivable	**(4,634)**	(1,983)
Other receivable	**(7,781)**	2,064
Prepaid expenses	**35**	(111)
Accounts payable and accrued liabilities	**3,689**	3,750
Accrued interest on investments	**(2)**	(42)
Deferred grants and contributions	**(568)**	(264)
Contingency Reserve	**6,400**	-
Long-term client accounts receivable	**3,281**	(3,696)
Employer pension contributions	**(2,544)**	(2,349)
Pension expense	**2,684**	2,392
	$ 11,371	$ 619
INVESTING ACTIVITIES		
Redemption of investments	**$ -**	$ 4,500
CAPITAL ACTIVITIES		
Purchase of capital assets	**$ (1,728)**	$ (1,821)
Net increase in cash and cash equivalents during the year	**9,643**	3,298
Cash and cash equivalents, beginning of year	**9,866**	6,568
Cash and cash equivalents, end of year	**$ 19,509**	$ 9,866

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

March 31, 2013

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act*, *1998* whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the Income Tax Act (Canada).

The *Legal Aid Services Act*, *1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Public Sector Handbook [“PS”] of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook supplemented by the standards for government not-for-profit organizations included in PS 4200 to PS 4270, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

These are the first financial statements prepared in accordance with the Public Sector Handbook. Detailed information on the impact of the conversion is provided in Note 15.

ADOPTION OF ACCOUNTING STANDARDS RELATED TO FINANCIAL INSTRUMENTS

Effective April 1, 2012, the Corporation adopted the recommendation of Public Accounting Standards PS 3450 – Financial instruments. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments.

In accordance with the requirements of these standards, prospective application of the recognition, derecognition and measurement policies are presented beginning April 1, 2012. Accordingly, financial statements of prior periods, including comparative information, have not been restated.

The adoption of PS 3450 did not have a financial impact on the financial statements of the Corporation.

FINANCIAL INSTRUMENTS
Financial instruments are classified in one of the following categories (i) fair value or (ii) cost or amortized cost. The entity determines the classification of its financial instruments at initial recognition.

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that the Organization designates upon purchase to be measured at fair value. Transaction costs are recognized in the statements of operations in the period during which they are incurred. Investments at fair value are remeasured at their fair value at the end of each reporting period. Any revaluation gains and losses are recognized in the statement of remeasurement gains and losses and are cumulatively reclassified to the statement of operations upon disposal or settlement.

Investments in fixed income securities not designated to be measured at fair value are initially recorded at fair value plus transaction costs and are subsequently measured at amortized cost using the straight-line method, less any provision for impairment.

All investment transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

REVENUE RECOGNITION
The Corporation follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments, costs and settlements are recognized as revenue when awarded.

Investment income which consists of interest is recorded in the statement of operations as earned.

Deferred capital contributions, related to the funding received for the acquisition of capital assets, represents the unamortized portion of contributions used for the acquisition of capital assets and any unspent amounts. Amortization of the deferred capital contribution is provided on the same basis as the related asset.

EXPENSE RECOGNITION
Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	- 5 years
Computer hardware and software	- 3 years
Custom-designed software	- 3 years
Enterprise-wide software	- 7 years
Leasehold improvements	- over the term of lease

EMPLOYEE BENEFIT PLANS

Defined benefit plans

The Corporation accrues its obligations under defined benefit employee benefit plans and the related costs. The cost of post-employment benefits earned by employees is actuarially determined using the projected unit credit actuarial cost method prorated on service and management's best estimate assumptions. Actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service period of the active employees. Past service costs are expensed when incurred. Liabilities are measured using a discount rate determined by reference to the Corporation's cost of borrowing. Adjustments to these costs arising from changes in actuarial assumptions and/or experience are recognized over the estimated average remaining service period of the active employees.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in the financial statements include the allowance for accounts receivable, accruals related to legal work performed but not yet billed and accrued pension benefits.

March 31, 2013

1. Government Funding

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Attorney General and the Corporation.

The most recent Memorandum of Understanding was signed on December 10, 2008. The agreement is effective for five years and expires on December 10, 2013.

(a) The Corporation is economically dependent on the Province of Ontario, and contributions recognized from the Province were allocated as follows:

	2013 ($000's)	2012 ($000's)
Contributions	**$ 353,949**	$ 335,688
Less: Amounts recorded as Contingency Reserve (Note 13)	**6,400**	-
Amortization of deferred capital contributions (Note 7)	**-**	21
	$ 347,549	$ 335,709

Included in the transfer payment of $353.9 million is an additional $15.0 million (2012 - $15.0 million) received from the Province as part of a governmental LAO Revitalization initiative that has resulted in a total of $60.0 million in additional permanent funding being provided to LAO by 2013.

(b) Included in contributions from the Province of Ontario for the year ended March 31, 2013 is an amount of $51.1 million (2012 - $53.8 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the Youth Criminal Justice Act, Immigration and Refugee expenditures for unique pressures through a cost-sharing arrangement.

(c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to designate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund. During the year the Corporation recorded a surplus of revenue over expenses to reduce the accumulated deficit.

2. Cash and Cash Equivalents

The Corporation has an operating line of credit in the amount of $5.0 million to cover temporary bank overdrafts. This facility remained unused at March 31, 2013, March 31, 2012 and April 1, 2011. The credit facility bears interest at the prime rate and is unsecured.

3. Accounts Receivable

(a) Client accounts receivable

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, by which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

March 31, 2013 ($000's)	**Total**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
Client accounts receivables	$ 75,866	$ 785	$ 524	$ 218	$ 74,339
Less: impairment allowance	(35,137)	(426)	(210)	(98)	(34,403)
Net receivables	**$ 40,729**	**$ 359**	**$ 314**	**$ 120**	**$ 39,936**

March 31, 2012 ($000's)	**Total $**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
Client accounts receivables	$ 86,205	$ 868	$ 608	$ 249	$ 84,480
Less: impairment allowance	(46,829)	(590)	(267)	(130)	(45,842)
Net receivables	$ 39,376	$ 278	$ 341	$ 119	$ 38,638

April 1, 2011 ($000's)	**Total $**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
Client accounts receivables	$ 87,082	$ 837	$ 635	$ 253	$ 85,357
Less: impairment allowance	(53,385)	(601)	(343)	(151)	(52,290)
Net receivables	$ 33,697	$ 236	$ 292	$ 102	$ 33,067

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
Represented by			
Current client accounts receivable	**18,092**	13,458	$ 11,475
Long-term client accounts receivable	**22,637**	25,918	22,222
	$ 40,729	$ 39,376	$ 33,697

(b) Other receivables

Other receivables are mainly comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency and both the Federal and Provincial governments for protocol cases. A portion of Legal Aid's revenue is received from the Law Foundation of Ontario and this receivable represents the outstanding amount at year end. Amounts due from Canada Revenue Agency represents HST refunds outstanding as at year end. Protocol legal cases are administered by Legal Aid on behalf of both the Federal Department of Justice (DOJ) and the Ontario Ministry of the Attorney General (MAG); these receivables represent the outstanding amounts at year end

March 31, 2013 ($000's)	**Total**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
MAG Receivables	$ 8,482	$ 7,158	$ -	$ -	$ 1,324
DOJ protocol cases	1,817	1,817	-	-	-
HST receivable	6,661	4,452	2,209	-	-
The Law Foundation of Ontario	1,811	1,811	-	-	-
Other receivables	735	735	-	-	-
Net other receivables	**$ 19,506**	**$ 15,973**	**$ 2,209**	**$ -**	**$ 1,324**

March 31, 2012 ($000's)	**Total $**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
MAG Receivables	$ 2,684	$ 582	$ -	$ -	$ 2,102
DOJ protocol cases	1,492	1,492	-	-	-
HST receivable	5,206	4,975	104	127	-
The Law Foundation of Ontario	1,559	1,559	-	-	-
Other receivables	784	784	-	-	-
Net other receivables	$ 11,725	$ 9,392	$ 104	$ 127	$ 2,102

April 1, 2011 ($000's)	**Total $**	**1-30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**
MAG Receivables	$ 2,785	$ 442	$ -	$ -	$ 2,343
DOJ protocol cases	1,742	1,742	-	-	-
HST receivable	6,135	4,262	1,873		
The Law Foundation of Ontario	2,364	2,364	-	-	-
Other receivables	763	763	-	-	-
Net other receivables	$ 13,789	$ 9,573	$ 1,873	$ -	$ 2,343

4. Investments

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
Guaranteed investment certificates	**$ 12,000**	$ 12,000	$ 16,500
Accrued interest	**133**	131	89
	$ 12,133	$ 12,131	$ 16,589

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998.* The Corporation's short-term and long-term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2013 are in compliance with the statutory requirements. The Corporation earned total investment income of $ 0.253 million in 2013 (2012 - $0.327 million).

5. Capital Assets

	March 31, 2013 ($000's)		March 31, 2012 ($000's)		April 1, 2011 ($000's)	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	**$ 880**	**$ 722**	$ 891	$ 576	$ 1,015	$ 558
Computer hardware and software	**3,766**	**1,410**	2,537	887	14,627	13,858
Custom-designed software	**-**	**-**	39	36	39	23
Enterprise-wide software	**15,628**	**15,628**	15,628	15,628	15,628	14,904
Leasehold improvement	**4,323**	**1,954**	4,535	1,718	7,871	4,713
	$ 24,597	**$ 19,714**	$ 23,630	$ 18,845	$ 39,180	$ 34,056
Net book value		**$ 4,883**		$ 4,785		$ 5,124

6. Accounts Payable and Accrued Liabilities

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
Legal accounts			
- accruals for billings received but not paid	**$ 21,185**	$ 21,610	$ 18,699
- estimate of work performed but not yet billed	**60,840**	57,303	56,186
Rent inducements	**1,143**	1,357	1,569
Trade and other payables	**7,286**	6,477	6,685
Vacation pay	**950**	968	826
	$ 91,404	$ 87,715	$ 83,965

7. Deferred Capital Contributions

Changes in capital contributions relating to Province of Ontario funded projects are as follows:

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
Balance, beginning of year	**$ -**	$ 21	$ 253
Amortization of deferred capital contributions	**-**	(21)	(232)
Balance, end of year	**$ -**	$ -	$ 21

8. Deferred Grants and Contributions

The corporation has received the following funds from The Law Foundation of Canada for future projects:

	Deferred Contributions ($000's)	**Deferred Grants** ($000's)	**Total** ($000's)
Balance March 31, 2012	$ 1,750	$ 2,986	$ 4,736
Amounts recognized as revenue	-	(568)	(568)
Balance March 31, 2013	$ 1,750	$ 2,418	$ 4,168

9. Changes in Net Assets Invested in Capital Assets

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
Balance, beginning of year	**$ 4,785**	$ 5,103	$ 7,980
Amortization	**(1,630)**	(2,160)	(3,757)
Amortization of deferred contributions	**-**	21	232
Purchase of capital assets	**1,728**	1,821	648
Balance, end of year	**$ 4,883**	$ 4,785	5,103
Represented by			
Capital assets (Note 5)	**$ 4,883**	$ 4,785	$ 5,124
Deferred capital contributions (Note 7)	**-**	-	(21)
	$ 4,883	$ 4,785	$ 5,103

10. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide poverty law services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community Clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act, 1998.* Each community clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

	2013 ($000's)	2012 ($000's)
Payments to and on behalf of clinics	**$ 68,567**	$ 67,064

11. Commitments and Contingencies

(a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2013 management estimates that a potential $53.6 million (2012 - $50.4 million) could still be incurred on certificates issued on or before March 31, 2013 over and above the billings received to date and management's estimate of work performed but not yet billed.

(b) The Corporation leases various office premises and equipment throughout the Province. The base rent and estimated operating costs based on prior period information under these leases for the next five years and thereafter are approximately as follows:

	Base Rent ($000's)	**Operating Cost** ($000's)	**Total** ($000's)
2014	$ 1,761	$ 2,261	$ 4,022
2015	1,550	2,074	3,624
2016	1,383	1,944	3,327
2017	1,257	1,857	3,114
2018	1,181	1,814	2,995
Thereafter	586	940	1,526
	$ 7,718	$ 10,890	$ 18,608

11. Commitments and Contingencies (continued)

(c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not likely to be significant and are not determinable at this time. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible of up to $50 thousand, depending on when the event of the claim occurred and the nature of the claim.

12. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has effectively two plans, there is a registered defined contribution with a defined benefit component and non-registered supplementary (executive) pension plan.

Defined Contribution Component

The defined contribution component of the plan covers 744 (2012 - 741) employees. The Corporation makes pension contributions to the defined contribution component of the plan which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was $2.402 million (2012 - $2.176 million).

Defined Benefit Component

The defined benefit component of the plan covers 4 (2012 - 5) participants. Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. It is subject to actuarial valuations for funding purposes at intervals of not more than three years. The latest actuarial valuation was performed as of January 2011. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary. These members do not participate in the defined contribution plan.

The Corporation measures its accrued benefit obligation for accounting purposes as at March 31 of each year.

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
Accrued benefit obligation	**$ 3,328**	$ 3,282	$ 2,958
Fund assets at market value	**3,512**	3,233	3,341
Funded status - plan surplus (deficit)	**184**	(49)	383
Unamortized net actuarial loss	**398**	607	-
Accrued benefit asset	**$ 582**	558	$ 383

12. Pensions (continued)

The expense related to the Corporation's defined benefit component of the plan consists of the following:

	2013 ($000's)	2012 ($000's)
Current period benefit cost	**$ 30**	$ 26
Past service costs incurred during the year	**-**	-
Amortization of actuarial losses	**87**	-
Interest expense	**1**	(28)
	118	(2)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation and benefit expense are as follows:

	2013 %	2012 %	2011 %
Accrued benefit obligation			
Discount rate	5.00	5.00	6.50
Rate of compensation increase	3.00	3.00	3.00

	2013 %	2012 %
Benefit expense		
Discount rate	5.00	6.50
Expected long-term rate of return on plan assets	6.50	5.00
Rate of compensation increase	3.00	3.00

Other information about the defined benefit plan is as follows:

	2013 ($000's)	2012 ($000's)
Employer contributions	**142**	173
Employee contributions	**12**	13
Benefits paid	**160**	349
Pension Expense	**118**	(2)

12. Pensions (continued)

Supplementary Executive Pension Plan

The Board of the Corporation has also approved the establishment of a supplementary pension plan for a designated executive member. Under the supplementary pension plan, pension at retirement are related to years of service and remuneration during the years of employment. The Plan is unfunded and the pension will be paid by the Corporation as it becomes due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2013.

The significant actuarial assumptions adopted in measuring the accrued benefit obligation and expense for the period are as follows:

	2013 %	2012 %
Discount rate	4.00	5.00
Inflation	1.50	2.50

The Corporation's pension expense for the year for this plan was $0.164 million (2012 - $0.218 million); the pension accrued benefit obligation and the accrued benefit liability as at March 31, 2013 was $1.248 million (March 31, 2012 - $1.084 million and April 1, 2011 - $0.866 million). During the year, the Corporation made no payments to the plan (2012 - nil).

	March 31, 2013 ($000's)	March 31, 2012 ($000's)	April 1, 2011 ($000's)
Accrued Pension Benefit Asset (Liability)			
Defined Benefit Plan	**$ 582**	$ 558	$ 383
Supplementary Executive Pension Plan	**(1,248)**	(1,084)	(866)
Net Liability	**$ (666)**	$ (526)	$ (483)

13. Contingency Reserve

Section 66(4) of the Legal Aid Services Act, 1998, requires the Corporation to maintain a contingency reserve fund as prescribed by section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of $20 million which was funded by the Corporation. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond $5 million of this capital amount and for the Corporation to provide an explanation of why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in the future.

During the year, MAG provided a one-time amount of $6.4 million which was allocated to this fund. The purpose of this funding is to support LAO in managing future risks as a result of changes to the funding environment, the unfunded cost of tariff increases, and for modernization and transformation initiatives.

	2013 ($000's)	2012 ($000's)
Balance, beginning of year	**$ -**	$ -
Funded from MAG	**6,400**	-
	$ 6,400	$ -

14. Financial Instruments

The Corporation is exposed to various financial risks through transactions in financial instruments.

Credit risk

The Corporation is exposed to credit risk in connection with its client accounts receivable and its short term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk

The Corporation is exposed to the risk that it will encounter difficulty in meeting obligations associated with its financial liabilities. The Corporation derives a significant portion of its operating revenue from the Ontario government and other funders with no firm commitment of funding in future years. To manage liquidity risk, the Corporation keeps sufficient resources readily available to meet its obligations.

Accounts payable and accrued liabilities mature within 21 days. The maturities of other financial liabilities are provided in notes to the financial statements related to these liabilities.

Interest rate risk

The Corporation is exposed to interest rate risk with respect to its investments in fixed income investments.

The Corporation’s guaranteed investment securities held as investments have interest rates ranging from 1.20% to 1.35% and maturing on April 4, 2013 and September 13, 2013. A 1% change in the interest rates, holding all other variables constant, would have a $0.120 million impact on interest revenue.

15. First-time Adoption of Canadian Public Sector Accounting Standards

These financial statements are the first financial statements which the Corporation has prepared in accordance with the Public Sector Handbook, which constitutes generally accepted accounting principles for government not-for-profit organizations in Canada ["GAAP"]. The Corporation has chosen to use the standards for government not-for-profit organizations that include Section PS 4200 to PS 4270. In preparing its opening balance sheet as at April 1, 2011 [the "Transition Date"], the Corporation has applied PS 2125; First-time Adoption by Government Organizations.

The accounting policies that the Corporation has used in the preparation of its opening balance sheet have resulted in certain adjustments to balances which were presented in the balance sheet prepared in accordance with Part V of the CICA Handbook - Accounting ["Previous GAAP"]. These adjustments were recorded directly to the Organization's net assets at the Transition Date using the transitional provisions set out in PS 2125 and are described below.

Exemption elected upon transition

CICA PS 2125 provides a number of elective exemptions related to standards in PSA Handbook. The Corporation has elected to use the transition exemption allowing the recognition of cumulative actuarial losses at the Transition Date. The Corporation has not elected to use any other exemptions.

Reconciliations

The following table provides a reconciliation of net assets as at April 1, 2011 and the excess of revenue over expenses for the year ended March 31, 2012 as presented under previous GAAP with those computed under GAAP.

	Excess of revenue over expenses for the year ended March 31, 2012 ($000's)	Net deficit at April 1, 2011 ($000's)
Deficiency of revenue over expenses and net deficit – Previous GAAP	**$ (1,285)**	$ (12,517)
Recognition of unamortized transitional obligation	-	158
Election to recognize cumulative actuarial losses	-	(389)
Impact of required changes in actuarial assumptions	-	317
Impact on required changes on pension expense	**4**	-
Excess of revenue over expenses and net deficit - GAAP	**$ (1,281)**	(12,431)

Management discussion & analysis

The Management Discussion and Analysis is intended to assist readers in understanding the operating results and financial position of Legal Aid Ontario as well as its strategic direction regarding the provision of services in the future.

This report should be read in conjunction with LAO's audited financial statements for the year ended March 31, 2013, prepared in accordance with Canadian generally accepted accounting principles, and the accompanying notes, which form a part of those statements.

Changes in Financial Reporting Standards

Effective April 1, 2012 LAO has prepared its financial statements in accordance with Public Sector Accounting Board standards as a government not-for-profit organization.

As a result, Balance Sheet reports and Notes to the 2012/13 Financial Statements include comparator information for multiple years in order for readers to understand any adjustment caused by the implementation of the new accounting standards.

LAO adopted the new financial instruments standard under previous Generally Accepted Accounting Principles and was required to record the fair value its accounts receivables at that time. Since this change was made in 2007, the impact on LAO due to the changes in accounting policies for government not-for-profit organizations was minimal.

New investment funding

- In 2009, the Government of Ontario approved $150 million over four years as follows:
  - $15 million in 2009/10;
  - $30 million in 2010/11;
  - $45 million in 2011/12; and,
  - $60 million in 2012/ 13 and ongoing
- The agreement between the Ministry of the Attorney General, Criminal Law Association and Legal Aid Ontario includes seven 5% tariff increases. The cost of the tariff increases fully implemented is about $70 million, whereas only $43 million of funding is included within the new investment $60M base funding; leaving a $27 million shortfall.
- The purpose of the additional funding is to:
  - Support the government's poverty agenda;
  - Support Justice on Target (JOT) through enhanced use of duty counsel, the implementation of block fees and by addressing complex cases through the development of a major case office;
  - Increase to the legal aid tariff rate; and,
  - Modernize the internal structures and practices of LAO to produce more cost-effective and client responsive services.
- The implementation of programs funded under the new investment is seen in the increasing costs of programs throughout the Statement of Operations.

Management discussion & analysis

Significant changes to the statement of operations for 2012/13

Revenue ($)

	2013	2012	Increase/ decrease	% change
Total government funding	$347,549	$335,709	$11,840	4%
Law Foundation of Ontario	$22,295	$19,101	$3,194	17%
Client contributions	$12,069	$15,433	($3,364)	-22%
Client and other recoveries	$675	$358	$317	89%
Investment income	$253	$327	($74)	-23%
Miscellaneous income	$585	$730	($145)	-20%
Total revenue	**$383,426**	**$371,658**	**$11,768**	**3%**

Expenditures ($000's)

	2013	2012	Increase/ decrease	% change
Certificate program	$193,239	$195,986	($2,747)	-1%
Duty counsel	$46,492	$45,927	$565	1%
Clinic program	$72,335	$70,762	$1,573	2%
Service innovation projects	$571	$507	$64	13%
Program support	$20,222	$18,463	$1,759	10%
Service provider support	$5,167	$5,215	($48)	-1%
Admin./other costs	$36,219	$36,079	$140	0%
Total expenditures	**$374,245**	**$372,939**	**$1,306**	**0%**

Management discussion & analysis

The changes in expenditures between the fiscal years 2013 and 2012 are explained below:

- **Certificate program ($2.7 million decrease)**

The decrease in the certificate program is composed of two main changes:

› A decrease in the cost of regular certificates of $5.9 million

› An increase other certificate program costs of $3.2 million.

Each of these changes is explained below

› Regular certificate program – The $5.9 million decrease breaks down by area of law as follows :

	2013	2012	Decrease $	Decrease %
Criminal	$84,089,373	$86,063,236	($1,973,863)	(2.3%)
Family	$49,165,939	$50,632,909	($1,466,970)	(2.9%)
Immigration/ refugee	$19,590,021	$21,875,224	($2,285,203)	(10.4%)
Civil	$5,605,638	$5,802,314	($196,676)	(3.4%)
Total	**$158,450,971**	**$164,373,683**	**($5,922,712)**	**(3.6%)**

› Since the implementation of LAO's modernization strategy, LAO has reduced the number of certificates issued from 117,000 in 2008/09 to 90,369 in 2012/13, resulting in total savings since then of about $17 million. This is offset by the $20 million cumulative cost of the four 5% tariff increases that have been implemented starting in February 2010.

› The decrease in the cost of the certificate program from 2011/12, before the cost of the tariff increase, was $12 million, offset by the increase in the cost of the tariff increase of $6 million, for a net reduction of $5.9 million.

All other certificate program costs increased $3.2 million:

› Staff law offices increased by $1.1 million as part of the effort to increase the proportion of clients served using staff resources.

› The cost of the Articling Student program was $2.1 million, a new initiative to help LAO develop lawyers interested in legal aid work for the future.

Management discussion & analysis

Balance sheet

- Significant changes in assets year over year include:
  - Increases in cash and cash equivalents of $9.6 million resulting from the 2012/13 operating surplus
  - A reduction in Allowance for Doubtful Accounts which caused current client accounts receivables (net) to increase by $4.6 million. Long term client accounts receivable reduced due to the collection and/or write off of older accounts.
  - An increase in Other Receivables. This is primarily due to the additional $6.4 million in funding provided to LAO by MAG that formed part of 2012/13 operating results but was not received until April 2013.
- The Law Foundation of Ontario (LFO) advanced $1.75 million to LAO in 2009 with an agreement that this amount would be repaid once revenues exceeded $20.0 million per year (see Note 8 – Deferred Contributions). Since revenues from this source amounted to $22.3 million for the year, LAO will be reimbursing LFO in the fiscal 2013/14 year.
- There was a major change of $3.5 million in Liabilities as the result of an increase in accrued expense for work performed but not yet billed by lawyers (See Note 6). Analysis has confirmed that this is due to tariff increases.
- The $6.4 million Contingency Reserve is in essence deferred revenue; therefore is shown on the Balance Sheet in the Liabilities section.

- **Government funding ($11.8 million increase)**
  - New investment funding increased $15 million, from $45 million to $60 million.
  - In 2011/12, LAO received one-time federal funding of $3.1 million as a result of the reconciliation of prior years' federal payments. There were no additional federal funding increases in 2012/13.

  The additional one-time funding of $6.4 million received from MAG transferred to the Contingency Reserve Fund to help offset the cost of unfunded tariff increases in future years is reflected in these Financial Statements as deferred revenues, see Note 1(a), and will be recognized as revenue when the expenditures related to this revenue are incurred by LAO.

- **Law Foundation of Ontario ($3.2 million increase)**
  - Law Foundation revenues increased $2.9 million to $21.7 million for the year. This increase continues to reflect a strong real estate market despite interest rates remaining at historically low levels.
  - The CIMS project, which is funded through a LFO grant and reported in this income category, generated $568 thousand in revenue, an increase of $304 thousand compared to the previous year. Grant revenue for this project is recognized as costs are incurred so there is no net impact on operating results.

- **Client contributions ($3.4 million decrease)**
  - A reduced number of contribution agreements are being entered into with clients and this was anticipated after the introduction of the Simplified Financial Eligibility Test.
  - LAO anticipated that there would be an overall increase in net revenue due to SFET as the result of a decrease in the number of write offs; however, it will take a few years to accurately measure the effect.
  - The cost of the tariff increases to date of $20 million is reflected in the increased cost of the certificate and duty counsel program. The certificate program cost is offset by the reduction of number of certificates issued.

Future financial challenges

Though LAO has made significant progress towards improving its financial position, it still has current and future financial challenges to address:

- An accumulated deficit (or debt) of $9.4 million
- Law Foundation revenues are still unpredictable given the slow recovery of the Canadian economy
- There are no guarantees that LAO's transfer payment from the Government of Ontario will remain at its current level given the government objective to balance its annual operating deficit by 2017/18 and
- The funding for the outbound costs of the tariff increases in the $20 to $25 million range remains uncertain.

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Ce document est disponible en français.

Legal Aid Ontario receives financial assistance from the Government of Ontario.

Legal Aid Ontario's annual report is also available in alternative formats.

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