

## NEW ZEALAND LAW SOCIETY

REPORT ON THE EXERCISE  
OF REGULATORY FUNCTIONS  
AND POWERS FOR THE YEAR TO  
30 JUNE 2013

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*Presented to the House of Representatives pursuant  
to section 76 of the Lawyers and Conveyancers Act 2006*

## NZLS BOARD MEMBERS



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*NZLS President*



**KATHRYN BECK**  
*NZLS Vice-President*  
*(Auckland)*



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*NZLS Vice-President*  
*(Wellington)*



**JOHN UNSWORTH**  
*NZLS Vice-President*  
*(North Island)*



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*NZLS Vice-President*  
*(South Island)*

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## INTRODUCTION

Under section 76 of the Lawyers and Conveyancers Act 2006 “the Act”, the New Zealand Law Society “the NZLS” is required to report on the exercise of its regulatory functions and powers during each year ending on 30 June. This is the report for the year to 30 June 2013.

The NZLS regulatory functions are as set out in section 65 of the Act, i.e.:

- to control and regulate the practice of the profession of law;
- to uphold the fundamental obligations imposed on lawyers;
- to monitor and enforce the provisions of the Act and regulations and rules made under it;
- to assist and promote the reform of the law.

The NZLS regulatory powers are contained in section 67 of the Act.

## CONSTITUTION

The NZLS is required by section 70 of the Act to have a Constitution providing for a Council, membership, general meetings, voting, presidents and vice presidents, Executive Board and Executive Director.

The Constitution made on 10 July 2008 and duly registered with the Registrar of Companies as required by section 71 of the Act has remained unchanged.

The NZLS Council continues to consist of the President, four Vice-Presidents, a representative of each branch, the chair of each NZLS section (Corporate Lawyers’ Association, Family Law and Property Law), the President of the New Zealand Bar Association and a representative of the Large Firm Corporation. Individuals on the Council are:

**PRESIDENT:** Jonathan Temm  
(Chris Moore from 19.4.13)

### VICE-PRESIDENTS:

**AUCKLAND:** Chris Moore (*Kathryn Beck from 19.4.13*)

**NORTH ISLAND:** John Unsworth

**WELLINGTON:** Nerissa Barber

**SOUTH ISLAND:** Allister Davis

### BRANCH

#### REPRESENTATIVES:

**AUCKLAND:** Chris Moore (*Tim Jones from 20.3.13*)

**CANTERBURY-WESTLAND:**

Rachel Dunningham

**GISBORNE:** Alistair Clarke

**HAWKE’S BAY:** Jonathan Krebs (*Carol Hall from 30.5.13*)

**MANAWATU:** Chris Robertson

**MARLBOROUGH:** Bryony Millar

**NELSON:** Michelle Duggan

**OTAGO:** Donna Buckingham (*Gerard DeCourcy from 22.5.13*)

**SOUTHLAND:** Tegs Burt (*Bill Dawkins from 8.3.13*)

**TARANAKI:** Rajan Rai

**WAIKATO BAY OF PLENTY:** Bruce Hesketh

**WANGANUI:** Kathryn Crooks

**WELLINGTON:** Mark Wilton

### SECTIONS:

**CORPORATE LAWYERS’**

**ASSOCIATION OF NEW ZEALAND**

**CHAIR:** Grant Adam

**FAMILY LAW SECTION**

**CHAIR:** Garry Collin

**PROPERTY LAW SECTION**

**CHAIR:** Chris Moore (*Andrew Logan from 21.3.13*)

### OTHER REPRESENTATIVES:

Stephen Mills QC (*New Zealand Bar Association*)

Roger Partridge (*Large Firm Corporation*)

The Executive Board “the Board” comprises the President and the four Vice-Presidents. Christine Grice is the Executive Director.

There has been a change to the regulations and rules in the year to 30 June 2013. The Lawyers and Conveyancers (Lawyers: Practice Rules) Regulations 2008 came into force on 1 October 2012. This amendment was in relation to lawyers wishing to practise on own account and relates to further requirements to ensure competency and professional development.

Pursuant to the Lawyers and Conveyancers Act (Lawyers: Admission) Rules 2008, the NZLS must respond to applications for certificates of character from people seeking admission under section 49(2) or (3) of the Act.

From 1 July 2012 to 30 June 2013 897 certificates of character were issued and 906 candidates were admitted to the High Court. In addition there were 21 admissions pursuant to the Trans Tasman Mutual Recognition Act 1997.

As at 30 June 2013 there were 12,133 current practising certificates. Of those, 1,553 were holding barristers' certificates and 10,580 barristers and solicitors' certificates. Renewal of practising certificates for the full year from 1 July 2013 to 30 June 2014 commenced in May 2013 with 12,033 renewal invoices being created. This year the renewal process was wholly electronic.

The Board resolved at its meeting on 8 June 2012 to rename the Fitness for Practice Committee as the Practice Approval Committee to better reflect the nature of the work carried out. A second Committee was appointed to handle the increasing workload. At meetings held on 18 and 19 April 2013 the Council and Board resolved to delegate authority to these two Committees to make final decisions and new terms of reference were set.

For the year to 30 June 2013, the Practice Approval Committees considered the following non straightforward applications:

- 13 for certificates of character for admission
- Eight for new practising certificates
- Three for renewal of practising certificates
- 13 for practising on own account as a barrister and solicitor (4 of which were based on the "special circumstances" discretion)
- One for practising as a barrister on own account based on the "special circumstances" discretion.
- Two regarding a discharge of undertakings restricting practice.
- One application for consent to the operation of a power of attorney when the lawyer was suspended (schedule 1 clause 7(e)).

Some of the above applications were considered on more than one occasion. Of applications declined in the 2012/2013 practising year two matters were appealed during the current year to the Disciplinary Tribunal. One appeal was successful and the other was declined.

As part of the exercise of its regulatory functions under the Act and in accordance with its powers, the NZLS has a register of people who hold practising certificates as barristers or as barristers and solicitors. The register facilitates the administration of a central database of all lawyers and matters associated with practice, including the issuing of practising certificates, collecting fees, levies and subscriptions, handling applications for certificates of character or standing, approving practice on own account, and trust account information.

## REGULATIONS & PRACTICE RULES

## ADMISSION AND ENROLMENT OF LAWYERS

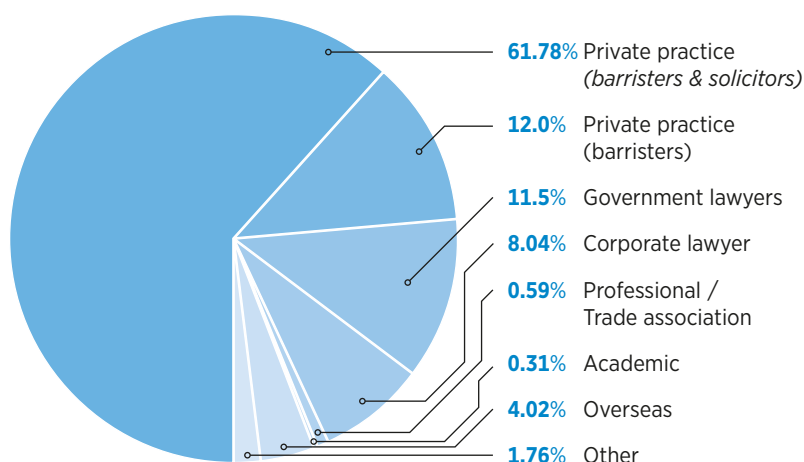
## ISSUE OF PRACTISING CERTIFICATES

## PRACTICE APPROVAL COMMITTEES

## REGISTER OF HOLDERS OF PRACTISING CERTIFICATES

## MODES OF PRACTICE

The lawyers holding practising certificates as at 30 June 2013 are recorded as practising in the following areas:



Some 3564 lawyers were practising on their own account as barristers and solicitors and 1439 on their own account as barristers sole.

## PRACTISING FEES, LEVIES & CONTRIBUTIONS

The following fees, levies and contributions were set by the NZLS Council for the 2012/2013 practising fee year with (in the case of the practising fee and Lawyers' Fidelity Fund contribution) the approval of the Minister of Justice:

	<i>\$ excluding gst</i>
Practising fee .....	1160
NZ Council of Legal Education levy .....	22
Legal Complaints Review Officer levy .....	80
<b>TOTAL FOR BARRISTERS AND EMPLOYED LAWYERS .....</b>	<b>1262</b>
Inspectorate fee .....	385
<b>TOTAL FOR BARRISTERS AND SOLICITORS PRACTISING ON THEIR OWN ACCOUNT WITHOUT A TRUST ACCOUNT .....</b>	<b>1647</b>
Lawyers' Fidelity Fund contribution .....	320
<b>TOTAL FOR BARRISTERS AND SOLICITORS PRACTISING ON THEIR OWN ACCOUNT WITH A TRUST ACCOUNT .....</b>	<b>1967</b>

## COMPLAINTS & DISCIPLINE

Part 7 of the Act provides a framework for complaints and discipline. The framework is one which provides for expeditious processing and resolution of complaints, as well as hearing and determination of disciplinary charges.

## COMPLAINTS SERVICE

The Lawyers Complaints Service was established under regulation six of the Lawyers and Conveyancers Act (Lawyers: Complaints Service and Standards Committees) Regulations 2008 ("CS Regulations").

As required by CS Regulation 6(3), the NZLS provides a telephone line dedicated to receiving and responding to inquiries concerning complaints and the complaints service. A total of 2880 completed calls were made to the service on the 0800 line. This is an average of 55 calls per week.

The Law Society website has information about how to lodge a complaint and provides an email address for access to the service. There is a brochure and complaint form available to download.

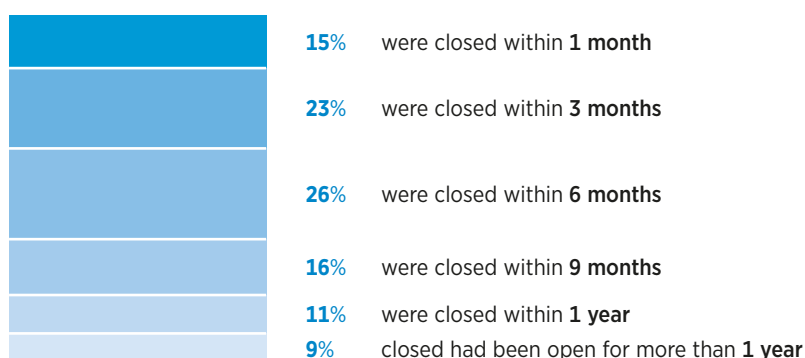
The NZLS has attended to the publication of information about the complaints service in accordance with the requirements of regulation 7 of the CS Regulations.

The following information on the outcomes and performance of the complaints service is provided pursuant to the requirements of CS Regulation 11 as follows:

<b>COMPLAINTS RECEIVED 1.7.12 TO 30.6.13</b>	<b>1766</b>
Against lawyers	1675
Against former lawyers	36
Against non-lawyer employees	33
Against incorporated law firms	21
Against former non-lawyer employees	1
Against former incorporated law firms	0

Of the 1766 complaints received 25% were made against female lawyers. As at 30 June 2013 just over 45% of lawyers holding current practising certificates were female.

<b>COMPLAINTS CLOSED FOR YEAR TO 30 JUNE 2013</b>	<b>1947</b>
<b>COMPLAINTS OUTSTANDING AS AT 30 JUNE 2013</b>	<b>739</b>
Complaints where a decision to take no action was made	1325
Complaints referred to and resolved by negotiation, conciliation or mediation	240
Complaints withdrawn, discontinued or settled	114
Complaints where Orders were made by a Lawyers Standards Committee pursuant to s156 of the Act	184
Complaint where Orders were made by a Lawyers Standards Committee pursuant to s157 of the Act (costs where no orders made)	15
Complaints where decision made to refer matter to the Tribunal under s152(2)(1) of the Act	46
Orders by Lawyers Standards Committees for publication of lawyers' names	25
Orders by Lawyers Standards Committees for publication of facts of complaint	69

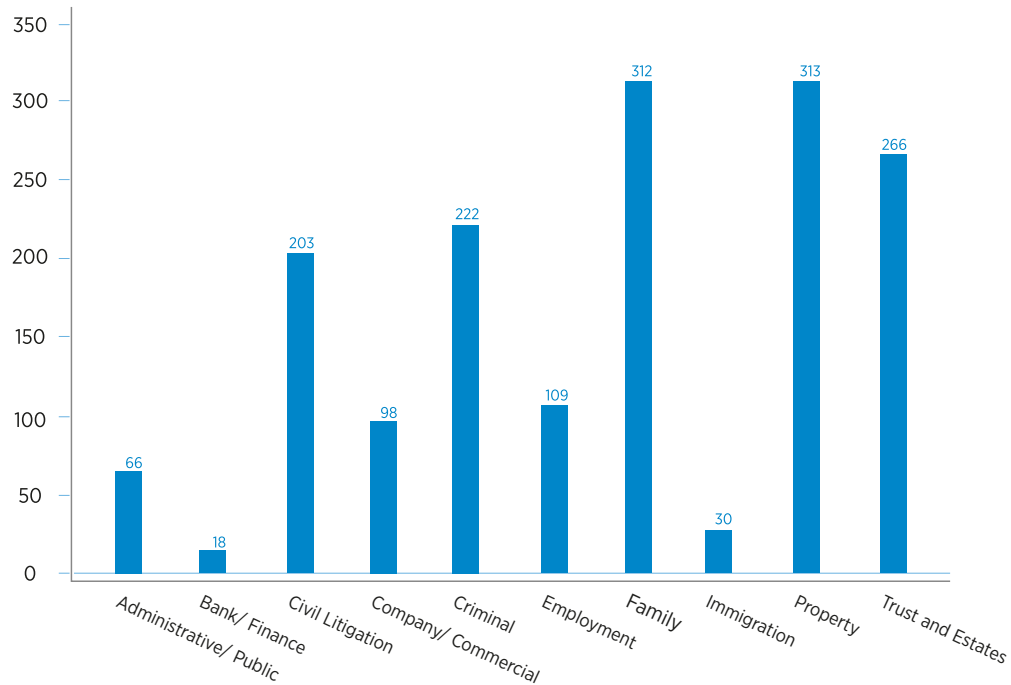


Of the 1947 complaints closed during the period:

The percentage of complaints concluded that resulted in no action was 68%. When including those resolved by negotiation, conciliation or mediation and those withdrawn, discontinued or settled the total is 86%.

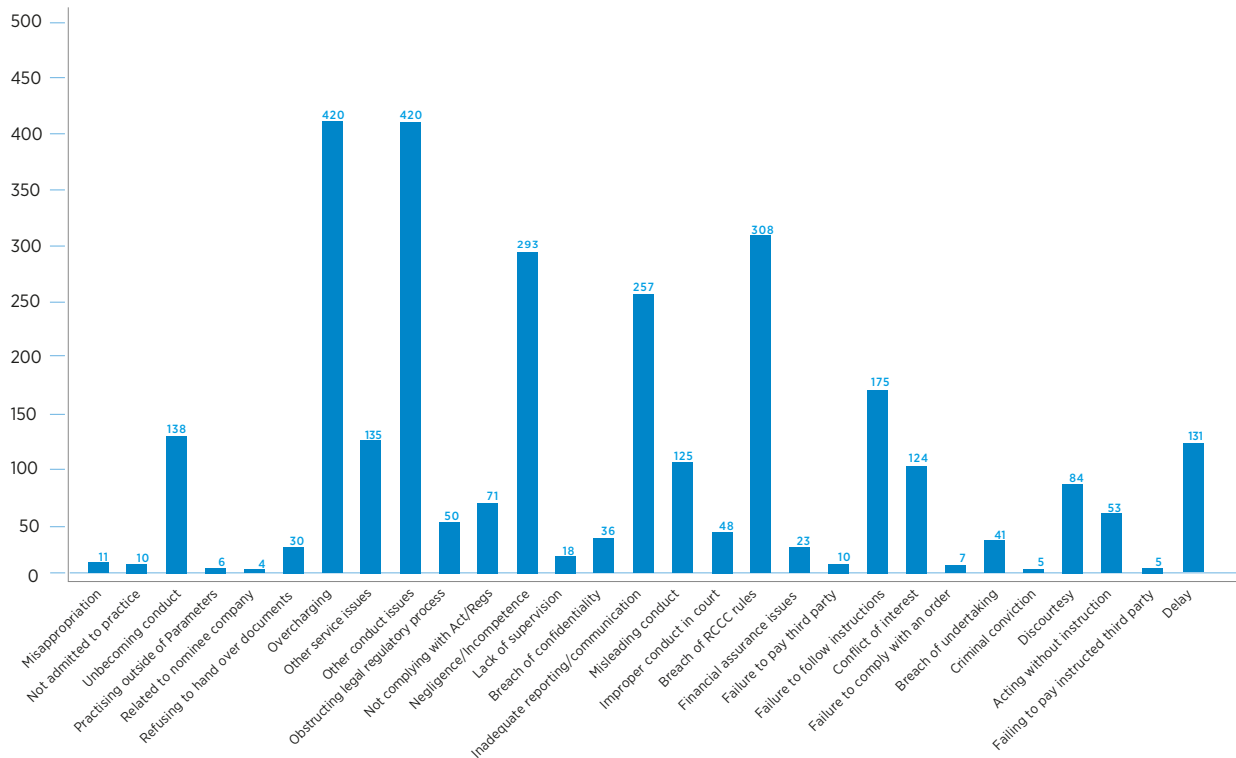
## MAIN AREAS OF LAW IN WHICH COMPLAINTS ARISE FOR YEAR END 30 JUNE 2013

Number of Complaints



## TYPE OF COMPLAINTS FOR YEAR END 30 JUNE 2013

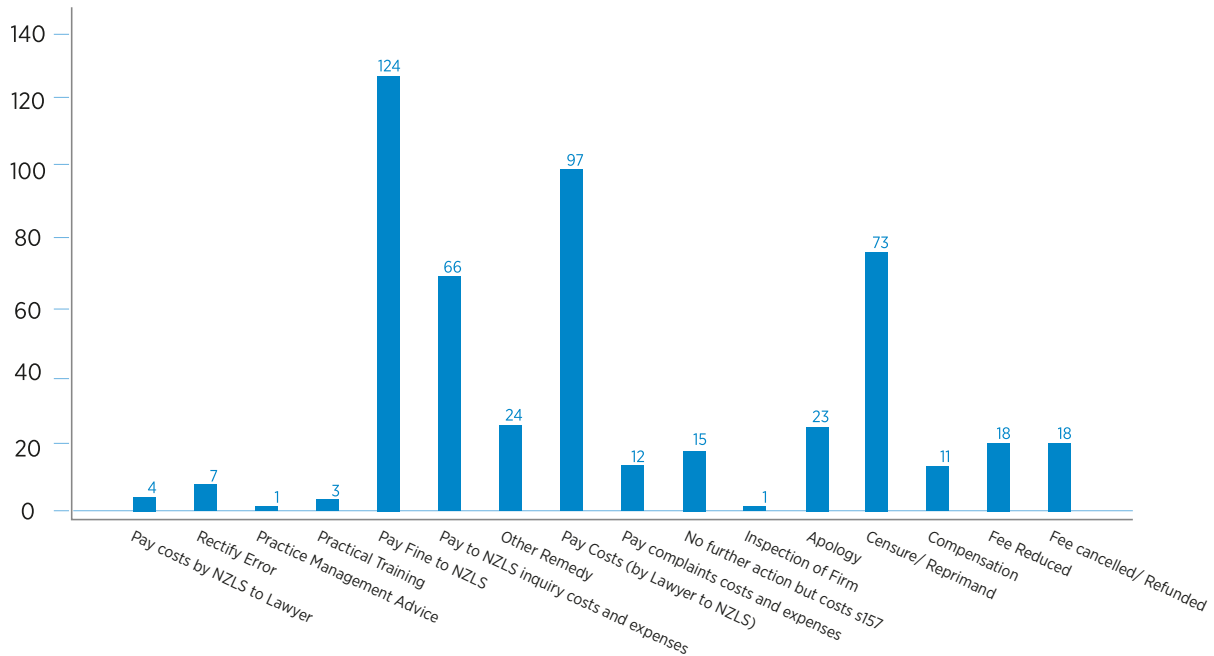
Note: More than one type might be made per complaint





## ORDERS MADE FOR YEAR END 30 JUNE 2013

Number of orders made



*Note: More than one order might be made per complaint*

In November 2011 the Lawyers Complaints Service commenced a trial of an Early Resolution Service (ERS) involving complaints from four of the main centres. From 1 February 2013 this was extended nationally. All new complaints are assessed by an initial triage committee for suitability for early resolution.

Suitable complaints are then referred to one of two specialist ERS Standards Committees. Where appropriate these Committees either direct the parties in these complaints to explore the possibility of resolution of the complaint by negotiation under s 143 of the Act or resolve to take no further action.

The national ERS has been running for five months to 30 June 2013. Early indications are that the process leads to approximately 20% of total complaints received by the Complaints Service being resolved by negotiation, conciliation or mediation or withdrawn, discontinued or settled and a further 15% require no further action. This results in an overall reduction of 35% of complaints being referred to local Standards Committees.

The average time to resolve a matter within ERS for files received between 1.02.13 and 30.06.13 was 39 days.

From 1 February 2013 a Concerns Form was introduced through a portal on the website. Any person who has a concern about a lawyer is invited to provide contact details and a Legal Standards Officer will call the person within five working days at the person's preferred time to discuss the concern. For the period 1 February 2013 to 30 June 2013, 152 concerns were lodged.

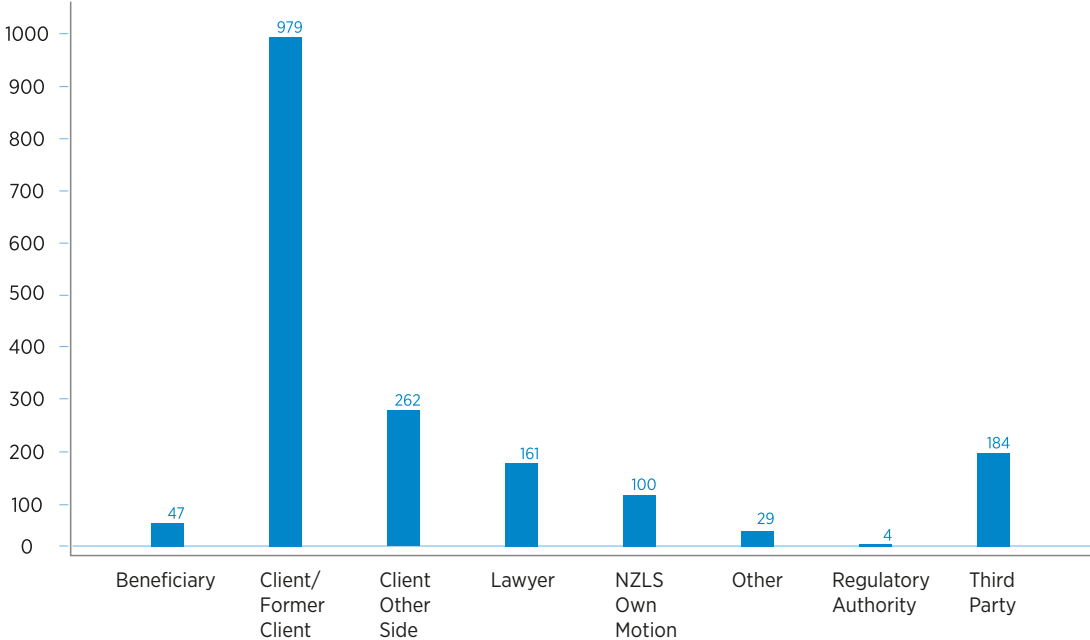
**(EARLY RESOLUTION SERVICE)**

**RESOLUTION BY NEGOTIATION, CONCILIATION OR MEDIATION**

**CONCERNS FORM**

**SOURCE OF COMPLAINTS FOR YEAR END 30 JUNE 2013**

Number of complaints



Regulation 12 of the CS Regulations established 18 regional, two national and 15 reserve committees. All the regional committees, five of the reserve committees and one of the national committees (a total of 24) have been declared by the Board to be Operational Standards Committees in accordance with regulation 12(2) at 30 June 2013.

The Board made further appointments of lawyer members and lay members in accordance with the provisions of the CS Regulations following resignations and expiry of terms.

A face to face training workshop was provided to complaints staff, Convenors and Deputy Convenors of the Standards Committees in May 2013.

The LCRO reviews decisions made by the Standards Committees of the NZLS. The LCRO is appointed pursuant to section 190 of the Act. The office of the LCRO is administered by the Ministry of Justice. Hanneke Bouchier is the Legal Complaints Review Officer and Owen Vaughan is her deputy. The LCRO had consulted the NZLS about the proposed appointment of a second deputy and the required amendment to clause 3(1) of Schedule 3 of the Act was made on 12 December 2012, by section 6(2) of the Lawyers and Conveyancers Amendment Act (No 2) 2012 (2012 No 105). As at 30 June 2013 no formal appointment of a second deputy had been announced.

The LCRO consulted the NZLS on the rate of the levy determined by the Minister of Justice in accordance with section 217 of the Act. The amount paid to the Ministry of Justice for 2012/13 was \$574,609 (GST exclusive.)

Quarterly meetings were held between the NZLS and the LCRO to discuss, in terms of section 192(c) of the Act, general issues relating to the approach and manner in which complaints are received and dealt with. Guidance was received from the LCRO on certain matters. In addition the LCRO and her deputy attended and presented at the training day for staff, Convenors and Deputy Convenors on 6 May 2013.

The LCRO is required by section 223 of the Act to report each year to the Minister of Justice and to the NZLS.

The Tribunal hears and determines disciplinary charges and other ancillary matters relating to the legal profession.

The Tribunal was established pursuant to section 226 of the Act and is administered by the Ministry of Justice.

During the year to 30 June 2013, 25 persons were prosecuted by the Standards Committees before the Tribunal – of those six lawyers were struck off and seven were suspended.

The terms of five existing lawyer members of the Tribunal expired during the period to 30 June 2013. Two of these members were reappointed to the Tribunal by the Board for a further term of one year and three members were reappointed for further terms of three years.

Payments of \$155,738 (GST exclusive) were made to the Crown Bank Account for reimbursement of expenditure in accordance with section 257 of the Act.

The Chairperson of the Tribunal is required by section 259 of the Act to report each year to the Minister of Justice and to the NZLS. The report must include details of both the number of determinations and the nature of the determinations made by the Tribunal in the period to which the report relates.

The NZCLE is an independent statutory body (Crown Entity) constituted under Part 8 of the Act. It has responsibilities for the quality and provision of legal training required for a person to be admitted as a barrister and solicitor of the High Court of New Zealand.

## LAWYERS STANDARDS COMMITTEES

## LEGAL COMPLAINTS REVIEW OFFICER (LCRO)

## NEW ZEALAND LAWYERS AND CONVEYANCERS DISCIPLINARY TRIBUNAL (TRIBUNAL)

## NEW ZEALAND COUNCIL OF LEGAL EDUCATION (NZCLE)

## LAWYERS AND CONVEYANCERS SPECIAL FUND

The NZCLE consulted the NZLS on its annual budget for funding purposes in accordance with section 276 of the Act. For the 2013/2014 year a levy of \$25 (GST exclusive) was imposed on every practising lawyer under the authority of section 277 of the Act for the purpose of funding the NZCLE budget for 2013 of \$283,000 (GST exclusive). This will come into effect for the 2013/2014 practising fee year.

The NZLS Council has power to nominate five people to be members of the NZCLE in accordance with section 282 of the Act. During the year one reappointment was made for a second term not exceeding three years.

The Lawyers and Conveyancers Special Fund (“the Special Fund”) is vested in the NZLS and the New Zealand Society of Conveyancers (“NZSC”) jointly and it is held by them in trust for the purposes specified in the Act.

Under sections 292(2) and 293 of the Act, the Special Fund is managed by the Management Committee of the Lawyers and Conveyancers Special Fund, comprising two people appointed by the NZLS and one person appointed by the NZSC, with one of the NZLS appointees appointed as chairperson. The appointees to the Management Committee remain unchanged.

The Special Fund received interest from banks on solicitors’ trust accounts and bank deposits totalling \$5.466 million. Administration expenses of \$28,028 including an audit fee were deducted before the balance was paid to the Secretary for Justice for the purpose of funding community law centres pursuant to section 298 of the Act.

## FIDELITY FUNDS

### *Lawyers' Fidelity Fund*

The Lawyers' Fidelity Fund was established by regulation five of the Lawyers and Conveyancers Act (Lawyers: Fidelity Fund) Regulations 2008, for the purpose described in section 304(a) of the Act. The Regulations also provide for the maintenance and management of this fund by the NZLS. In addition, the regulations set (by regulation 10) the minimum size of the fund and (by regulation 11) the sum of \$100,000 as the maximum amount payable to an individual claimant.

The purpose of the Lawyers' Fidelity Fund is to compensate, in whole or in part, people who suffer pecuniary loss in certain circumstances as set out in Part 10 of the Act – mainly theft of money or property entrusted to a lawyer or an agent of a lawyer. It is not an insurance fund.

Claims settled during 2012/13 totalled \$14,000. An amount of \$398,000 has been set aside to cover future payments of claims relating to known or suspected thefts. Recoveries of funds for 2012/13 were \$5,000.

### *Solicitors' Fidelity Guarantee Fund*

The provisions of Part IX of the Law Practitioners Act 1982 which relate to the Solicitors' Fidelity Guarantee Fund remain in force until repealed – when section 370 of the Act comes into force. That will occur on the completion of the process of winding up of this fund as set out in section 367 of the Act.

The purpose of the Solicitors' Fidelity Guarantee Fund is to compensate people in relation to theft by a lawyer which was committed before 1 August 2008.

In terms of section 367(1) of the Act, the NZLS has not yet formed the opinion that all claims against this fund have been received and fully dealt with.

Claims settled during 2012/13 totalled \$121,000. An amount of \$197,000 has been set aside to cover future payments of claims relating to known or suspected thefts. Recoveries of funds for 2012/13 were \$nil.

*Stepping Up: foundation for practising on own account*, which replaced the former *Flying Start* course from 1 July 2011, is an important part of the NZLS's competence and professional development requirements for lawyers seeking to practice on own account. It is a national course, held in Auckland, Wellington and in Christchurch four times a year. From next year onwards it will be held five times a year.

It involves 40-50 hours of preparatory work, attendance at a three-day workshop and assessments. It is aimed at better preparing lawyers to run a law practice and involves a specific module on the Rules of Conduct and Client Care. All practitioners must complete this course, including barristers (from 31 October 2012).

A first draft of the proposed CPD rules and guidelines was circulated for consultation in October 2012. A number of helpful comments were received focussing primarily on format and detail. As a result, the rules were substantially rewritten but the substance of the learner-centred scheme with its emphasis on planning and reflection along with the required 10 hours of CPD activities remained unchanged.

In April 2013 the Council approved the proposed CPD rules and these were sent to the Minister for her approval as required under section 100 (2) of the Act.

If approved, the rules will come into force on 1 October 2013 with a six month transitional period until the first CPD year begins on 1 April 2014.

The Financial Assurance Scheme was established in 1998 under the Solicitors Trust Accounting Regulations 1998 with the objective of protecting money entrusted to law practices. The NZLS has continued the Financial Assurance Scheme, in accordance with regulation 36(1) of the Lawyers and Conveyancers Act (Trust Account) Regulations 2008 ("the Trust Account Regulations").

The Financial Assurance Scheme includes an Inspectorate established and maintained in accordance with Part 5 of the Trust Account Regulations. The Inspectorate comprises a Wellington based manager and eight inspectors who are located in Auckland (3), Hamilton (1), Wellington (2) and Christchurch (2). The inspectors are supported by one full time and one part time staff member.

The Inspectorate performs the functions as set out in regulation 25 of the Trust Account Regulations as follows:

- (a) **Review lawyers' trust accounts (almost 1400 law practices operate trust accounts);**
- (b) **Ensure compliance by lawyers with SS 110-114 of the Act and with the Trust Account Regulations;**
- (c) **Conduct investigations of the affairs of practices and lawyers under Part 7 of the Trust Account Regulations;**
- (d) **Administer the Financial Assurance Scheme; and**
- (e) **Assist in the education of lawyers and incorporated law firms and their staff in the matters to which the Trust Account Regulations relate.**

During the reporting period the Inspectorate implemented a new risk management framework together with accompanying new assurance procedures and changes in operational policy. The main change is that inspectorate resources and work plans are driven by the risk assessment of lawyers and law firms. The risk assessment method was designed using the Australia and New Zealand risk standard (AS/NZS/ISO 31000 (2009) and assurance of better practices.

Risk assessments and the focus of inspections will be reviewed regularly on

## COMPETENCY ASSURANCE AND PROFESSIONAL DEVELOPMENT

## CONTINUING PROFESSIONAL DEVELOPMENT (CPD)

## FINANCIAL ASSURANCE SCHEME AND THE INSPECTORATE

a structured basis and the practice methods will be continuously refined and improved. There will be a greater focus on firms deemed to be high risk and more self-assessment by law firms.

**In the discharge of its functions for the year to 30 June 2013 the Inspectorate has:**

- conducted 315 reviews of trust accounts;
- referred 26 reviews to Lawyers Standards Committees. Of these:
  - 12 remain with the Standards Committees pending further action
  - Four required no further action
  - Four led to further investigations
  - One lawyer was ordered to desist from a current practice
  - Four lawyers had unsatisfactory conduct findings and orders made against them.
  - One lawyer was referred to the Disciplinary Tribunal
- investigated the affairs of 23 practices resulting in;
  - Seven referrals by a Standards Committee to the Disciplinary Tribunal (3 lawyers struck off and or suspended and 4 are yet to be heard)
  - Five required no further action
  - One lawyers having orders made against them
  - Six remain open
  - One referral to the Police
  - Three being the subject of formal investigation
  - assisted with the development preparation and delivery of several educational courses during the year, including Stepping Up and Trust Account Supervisors/ Trust Account Administrators courses. Inspectors also delivered seminars on trust account related issues and wrote articles for publication to lawyers.
  - assisted lawyers where individual advice was required

## LAWYERS NOMINEE COMPANIES

The Law Society has been in consultation with the Financial Markets Authority in relation to the renewal of the Securities Act (Contributory Mortgage) (Solicitors) Exemption Notice 1996 until 30 September 2016.

In the year to 30 June 2013, the NZLS has not been requested to give written consent to the formation of any lawyers nominee company under rule 4.1 of the Lawyers and Conveyancers Act (Lawyers: Nominee Company) Rules 2008.

The NZLS has approved the change of name of one lawyers nominee company under rule 5.1 of those Rules.

## ASSISTING AND PROMOTING THE REFORM OF THE LAW

This is the regulatory function set down in Section 65(e) of the Act. The purposes are to uphold the rule of law and to facilitate the administration of justice.

The NZLS examined all Bills introduced to Parliament and made submissions on 32 Bills. It appeared before select committees on 17 of those Bills. The NZLS prepared 53 submissions on discussion documents from Government departments and statutory bodies, and three submissions on Law Commission papers. The submissions were prepared by the voluntary contribution of members of the NZLS Law Reform Committee with assistance from specialist committees and Property Law and Family Law Sections.

The NZLS Rule of Law Committee monitors instances of threats to the rule of law.

The NZLS, assisted by its committees (including the Rule of Law Committee) and Sections, wrote on a number of occasions during the year to Ministers and the Attorney-General about a range of law reform, administration of justice and rule of law issues.

The NZLS has two representatives on the Rules Committee (a statutory body established by section 51B of the Judicature Act 1908). The NZLS representatives contribute to the Rules Committee's consideration of proposed reforms to procedural rules in the Supreme Court, the Court of Appeal, the High Court and District Courts.

The NZLS Courthouse Committee monitors operation of the courts and courthouses across New Zealand, and keeps a watching brief on courthouse issues affecting the profession and the community. In October 2012 the NZLS Board approved new terms of reference and membership for the Committee, in light of a challenging workload in the past year responding to court closures, courts management restructuring and reduced services in courts across New Zealand, the introduction of technology in courts, and courthouse design and security issues.

Library assets, which were transferred from District Law Societies in February 2009 pursuant to sections 373 and 374 of the Act, continue to be held for the purposes of NZLS regulatory functions. The libraries are funded from practising fees under section 73 of the Act and from charges for services.

Long term contracts with the three main publishers, CCH, Thomson Reuters and LexisNexis now enable online access to a significant range of publications, through 35 kiosks for lawyers at NZLS locations and in the courts around New Zealand. Hard copy books and other reference material purchases continue to be updated and rationalised, with the core resource now being maintained at the main libraries in Auckland, Wellington and Christchurch. The collections include a wide range of texts, law reports and reference material which are not available online, or necessarily easily usable in an online setting. A research and document delivery service is provided by the main libraries to ensure that lawyers have ready access to a significant legal information resource.

The net cost of operating the libraries in 2012/13 was \$2.777 million.

#### *Real estate services*

Under rule 16 of the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008, 50 lawyers have notified the NZLS of their intention to commence providing real estate services on a regular or systematic basis.

## REVIEWS

In March 2011 the NZLS commenced an internal review of its regulatory functions. The objective is the development and implementation of opportunities for the improvement of regulatory performance. This review has been on-going over the reporting period with the third meeting of the Governance Group of the regulatory review of services operational improvement programme being held on 16 April 2013.

Under rule 14.5 of the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008, the NZLS is required to review and determine whether to keep in force the intervention requirements by which a barrister sole must accept instructions only from a person who holds a practising certificate as a barrister and solicitor.

The NZLS was required to commence the review by 30 January 2010 and it did so by the establishment of a working group which undertook preliminary soundings. The working group has prepared a consultation paper for consideration by lawyers, the Ministry of Justice, the New Zealand Bar Association and others considered by the NZLS to have an interest in the matter. The issue is presently under consideration by the NZLS Council.

## LIBRARIES

## MISCELLANEOUS STATISTICAL INFORMATION

## REGULATORY REVIEW

## INTERVENTION RULE

## INDEMNITY

Under rule 5(1) of the Lawyers and Conveyancers Act (Lawyers: Indemnity) Rules 2008 the NZLS was required within two years from 1 August 2008 to consider and determine whether to require lawyers and incorporated law firms, or any class of them, to hold professional indemnity insurance.

As noted in the 2010/11 and 2011/12 reports the determination made on 28 July 2010 was that cover not be required for lawyers, incorporated law firms, or any class of lawyers or incorporated law firms on a mandatory basis in the meantime, but that the issue should remain under review.

The Minister of Justice was advised of this consideration and determination. The NZLS understands that the Ministry of Justice is to monitor the situation and the Board has authorised the President and Executive Director to continue to explore options for future consideration.

## (REGULATORY REPORT ON FINANCIAL STATEMENTS)

## NEW ZEALAND LAW SOCIETY SUMMARY FINANCIAL STATEMENTS

The summary financial statements for the year ended 30 June 2013, which relate to the exercise of regulatory functions and powers, are provided in accordance with section 76(2) of the Act. The summary financial statements are presented in two groups, which reflect the particular reporting requirements of each group, as set out below.

- New Zealand Law Society – Regulatory
- New Zealand Law Society Lawyers Fidelity Fund
- New Zealand Law Society Solicitors’ Fidelity Guarantee Fund
- The Lawyers and Conveyancers Special Fund

## NEW ZEALAND LAW SOCIETY – REGULATORY

The summary financial statements have been extracted from the full audited financial statements for the year ended 30 June 2013, of the New Zealand Law Society – Regulatory, approved for issue on 30 August 2013 by the Board of the New Zealand Law Society.

The full financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable financial reporting standards, as appropriate for public benefit entities. The full financial statements comply with International Financial Reporting Standards (IFRS).

An unmodified audit opinion was issued on the full financial statements for New Zealand Law Society – Regulatory on 30 August 2013.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of the financial performance, financial position, and cash flows of the above entity.

The presentation currency is New Zealand dollars rounded to the nearest thousands.

The following summary financial statements comply with FRS-43: *Summary Financial Statements*.

### ***Reporting entity***

The New Zealand Law Society (“NZLS”) is governed by the Lawyers and Conveyancers Act 2006 (the “LCA”). The LCA came into effect on 1 August 2008, replacing the Law



Practitioners Act 1982. The LCA requires that the representative and regulatory functions of the NZLS are maintained separately and that separate financial statements are prepared for each category. The summary financial statements shown below have been prepared for the NZLS regulatory function (“NZLS Regulatory”).

NZLS Regulatory’s functions are set out in section 65 of the LCA. The primary functions are to regulate practice by lawyers, uphold the fundamental obligations imposed on lawyers, monitor and enforce the provisions of the LCA and assist and promote the reform of the law. NZLS Regulatory incorporates Lawyer Registration, Professional Standards including the Complaints Service and Inspectorate functions, Law Libraries and law reform activity.

	2013—\$000	2012—\$000
<b>REVENUE</b>		
Practising and other service fees, interest	19,048	18,395
<b>EXPENSES</b>		
Administration and library	18,109	16,721
Surplus before income tax	939	1,674
Income tax expense	168	117
<b>NET SURPLUS FOR THE YEAR</b>	771	1,557
<b>Total comprehensive income for the year, net of tax</b>	771	1,557

## SUMMARY STATEMENT OF COMPREHENSIVE INCOME

(For the year ended 30 June 2013)

	2013—\$000	2012—\$000
<b>ASSETS</b>		
Current assets	24,652	23,486
Non-current assets	3,216	2,622
<b>Total assets</b>	27,868	26,108
<b>EQUITY AND LIABILITIES</b>		
Current liabilities	21,097	20,108
Equity	6,771	6,000
<b>Total equity and liabilities</b>	27,868	26,108

## SUMMARY STATEMENT OF FINANCIAL POSITION

(As at the 30 June 2013)

	2013—\$000	2012—\$000
Equity at beginning of year	6,000	4,443
Total comprehensive income for the year, net of tax	771	1,557
<b>EQUITY AT END OF THE YEAR</b>	6,771	6,000

## SUMMARY STATEMENT OF CHANGES IN EQUITY

(For the year ended 30 June 2013)

**SUMMARY  
STATEMENT OF  
CASH FLOWS**

(For the year ended 30 June 2013)

	2013—\$000	2012—\$000
Net cash flows from operating activities	2,701	2,277
Net cash flows used in investing activities	(1,322)	(857)
<b>Net increase in cash and cash equivalents</b>	<b>1,379</b>	<b>1,420</b>
Cash and cash equivalents at beginning of year	22,970	21,550
<b>Cash and cash equivalents at end of year</b>	<b>24,349</b>	<b>22,970</b>

The financial statements were approved for issue on 30 August 2013 by the Board of the New Zealand Law Society.

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## Independent Auditor's Report on the Summary Financial Statements to the Members of New Zealand Law Society – Regulatory

### REPORT ON THE SUMMARY FINANCIAL STATEMENTS

The accompanying summary financial statements of New Zealand Law Society – Regulatory on pages 14 to 16, which comprise the summary statement of financial position as at 30 June 2013, and the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of New Zealand Law Society – Regulatory for the year ended 30 June 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 30 August 2013.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of New Zealand Law Society – Regulatory.

This report is made solely to the Members, as a body, for the purpose of expressing an opinion on the summary financial statements for the year ended 30 June 2013. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report on summary financial statements and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

### BOARDS' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The Board is responsible for the preparation of a summary of the audited financial statements, in accordance with *FRS-43: Summary Financial Statements*.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810: Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in New Zealand Law Society – Regulatory.

### OPINION

In our opinion, the summary financial statements derived from the audited financial statements of New Zealand Law Society – Regulatory for the year ended 30 June 2013 are consistent, in all material respects, with those financial statements, in accordance with *FRS-43: Summary Financial Statements*.

### CHARTERED ACCOUNTANTS

30 August 2013

Wellington, New Zealand

This audit report relates to the summary financial statements of New Zealand Law Society – Regulatory for the year ended 30 June 2013 included on New Zealand Law Society's website. The Board of the New Zealand Law Society is responsible for the maintenance and integrity of New Zealand Law Society's website. We have not been engaged to report on the integrity of New Zealand Law Society's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements and related audit report dated 30 August 2013 to confirm the information included in the audited summary financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.

**NEW ZEALAND LAW SOCIETY LAWYERS' FIDELITY FUND  
NEW ZEALAND LAW SOCIETY SOLICITORS' FIDELITY GUARANTEE FUND  
THE LAWYERS AND CONVEYANCERS SPECIAL FUND**

The summary financial statements have been extracted from the full audited financial statements for the year ended 30 June 2013, of the New Zealand Law Society Lawyers' Fidelity Fund and the New Zealand Law Society Solicitors' Fidelity Guarantee Fund, approved for issue on 30 August 2013 by the Board of the New Zealand Law Society, and The Lawyers and Conveyancers Special Fund approved for issue on 19 September 2013 by the Management Committee of the Special Fund.

The full financial statements for the above entities have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). Measurement and recognition of transactions and balances in the financial statements comply with Financial Reporting Standards. Each entity qualifies for differential reporting under the Framework for Differential Reporting as there is no public accountability and they do not qualify as large. The entities have taken advantage of all the exemptions available under the framework.

An unmodified audit opinion was issued on the full financial statements for each of the above entities at the dates indicated.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements of the financial performance, financial position, and cash flows (where applicable) of the above entities.

The presentation currency is New Zealand dollars rounded to the nearest thousands. The following summary financial statements comply with FRS-39: *Summary Financial Reports*.

**NEW ZEALAND  
LAW SOCIETY  
LAWYERS'  
FIDELITY FUND**

**Reporting entity**

The New Zealand Law Society Lawyers' Fidelity Fund (the "Lawyers Fidelity Fund") is the property of the New Zealand Law Society and is held in trust for the purpose of reimbursing persons who have suffered pecuniary loss arising from theft, as is defined in the Crimes Act, committed by lawyers in public practice from 1 August 2008.

**SUMMARY  
STATEMENT  
OF FINANCIAL  
PERFORMANCE**

(For the year ended 30 June 2013)

	2013—\$000	2012—\$000
<b>REVENUE</b>		
Annual contributions, recoveries and interest	1,179	1,138
<b>EXPENSES</b>		
Claims and other	(60)	298
Surplus before income tax	1,239	840
Income tax expense	66	52
<b>NET SURPLUS FOR THE YEAR</b>	<b>1,173</b>	<b>788</b>

	2013—\$000	2012—\$000
<b>ASSETS</b>		
Current assets	5,470	2,871
Non-current assets	-	1,642
<b>Total assets</b>	5,470	4,513
<b>EQUITY AND LIABILITIES</b>		
Current liabilities	1,372	1,588
Equity	4,098	2,925
<b>Total equity and liabilities</b>	5,470	4,513

## SUMMARY STATEMENT OF FINANCIAL POSITION

(As at 30 June 2013)

	2013—\$000	2012—\$000
Equity at beginning of year	2,925	2,137
Net surplus for the year	1,173	788
<b>EQUITY AT END OF YEAR</b>	4,098	2,925

## SUMMARY STATEMENT OF CHANGES IN EQUITY

(For the year ended 30 June 2013)

The financial statements were approved for issue on 30 August 2013 by the Board of the New Zealand Law Society.

### Reporting entity

The New Zealand Law Society Solicitors' Fidelity Guarantee Fund (the "Fidelity Guarantee Fund") is the property of the New Zealand Law Society and is held in trust for the purpose of reimbursing persons who have suffered pecuniary loss arising from theft, as is defined in the Crimes Act, committed by lawyers in public practice prior to 1 August 2008.

## NEW ZEALAND LAW SOCIETY SOLICITORS' FIDELITY GUARANTEE FUND

	2013—\$000	2012—\$000
<b>REVENUE</b>		
Interest	571	573
<b>EXPENSES</b>		
Claims and other	(76)	28
<b>SURPLUS BEFORE INCOME TAX</b>	647	545
Income tax expense	187	187
<b>NET SURPLUS FOR THE YEAR</b>	460	358

## SUMMARY STATEMENT OF FINANCIAL PERFORMANCE

(For the year ended 30 June 2013)

## SUMMARY STATEMENT OF FINANCIAL POSITION

(As at 30 June 2013)

### ASSETS

Current assets	11,764	10,204
Non-current assets	1,004	2,338
<b>Total assets</b>	<b>12,768</b>	<b>12,542</b>

### EQUITY AND LIABILITIES

Current liabilities	306	540
Equity	12,462	12,002
<b>Total equity and liabilities</b>	<b>12,768</b>	<b>12,542</b>

2013—\$000 2012—\$000

## SUMMARY STATEMENT OF CHANGES IN EQUITY

(For the year ended 30 June 2013)

Equity at beginning of year  
Net surplus for the year

### EQUITY AT END OF YEAR

2013—\$000 2012—\$000

Equity at beginning of year	12,002	11,644
Net surplus for the year	460	358
<b>EQUITY AT END OF YEAR</b>	<b>12,462</b>	<b>12,002</b>

The financial statements were approved for issue on 30 August 2013 by the Board of the New Zealand Law Society.

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## Independent Auditor's Report on the Summary Financial Statements to the members of New Zealand Law Society Lawyers' Fidelity Fund and New Zealand Law Society Solicitors' Fidelity Guarantee Fund

### REPORT ON THE SUMMARY FINANCIAL STATEMENTS

The accompanying summary financial statements of New Zealand Law Society Lawyers' Fidelity Fund (the "Lawyers' Fidelity Fund") and New Zealand Law Society Solicitors' Fidelity Guarantee Fund (the "Fidelity Guarantee Fund") on pages 18 to 20, which comprise the summary statements of financial position as at 30 June 2013, and the summary statements of financial performance and summary statements of changes in equity for the year then ended, and related notes, are derived from the audited financial statements of the Lawyers' Fidelity Fund and Fidelity Guarantee Fund for the year ended 30 June 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 30 August 2013.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Lawyers' Fidelity Fund and Fidelity Guarantee Fund.

This report is made solely to the Members, as a body, for the purpose of expressing an opinion on the summary financial statements for the year ended 30 June 2013. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report on summary financial statements and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

### BOARD'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The Boards are responsible for the preparation of a summary of the audited financial statements, in accordance with *FRS-39: Summary Financial Reports*.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810: *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor, we have no relationship with or interests in the Lawyers' Fidelity Fund and Fidelity Guarantee Fund.

### OPINION

In our opinion, the summary financial statements derived from the audited financial statements of the Lawyers' Fidelity Fund and Fidelity Guarantee Fund for the year ended 30 June 2013 are consistent, in all material respects, with those financial statements, in accordance with *FRS-39: Summary Financial Reports*.

### CHARTERED ACCOUNTANTS

30 August 2013  
Wellington, New Zealand

This audit report relates to the summary financial statements of the Lawyers' Fidelity Fund and Fidelity Guarantee Fund for the year ended 30 June 2013 included on New Zealand Law Society's website. The Board of the New Zealand Law Society is responsible for the maintenance and integrity of New Zealand Law Society's website. We have not been engaged to report on the integrity of New Zealand Law Society's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements and related audit report dated 30 August 2013 to confirm the information included in the audited summary financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.

## THE LAWYERS AND CONVEYANCERS SPECIAL FUND

### Reporting entity

The Lawyers and Conveyancers Special Fund (the “Special Fund”) receives income in the form of interest earned on moneys held in lawyers and conveyancers nominated trust accounts kept at New Zealand registered banks in accordance with the provisions of the Lawyers and Conveyancers Act 2006 (LCA). The income, after deduction of allowed expenditure, is distributed to the Ministry of Justice (formerly Legal Services Agency), for the purpose of funding Community Law Centres.

### SUMMARY STATEMENT OF FINANCIAL PERFORMANCE

(For the year ended 30 June 2013)

	2013—\$000	2012—\$000
<b>REVENUE</b>		
Interest on trust accounts and bank deposits	5,466	4,807
<b>EXPENSES</b>		
Ministry of Justice/ Legal Services Agency	5,438	4,779
Administration and other	28	28
Total expenses	5,446	4,807
<b>RESIDUAL BALANCE FOR THE YEAR</b>	-	-

### SUMMARY STATEMENT OF FINANCIAL POSITION

(As at 30 June 2013)

	2013—\$000	2012—\$000
<b>TOTAL ASSETS</b>	465	449
<b>TOTAL EQUITY AND LIABILITIES</b>	465	449

### SUMMARY STATEMENT OF CHANGES IN EQUITY

(For the year ended 30 June 2013)

**THERE WERE NO CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013 (2012 - NIL).**

The financial statements were approved for issue on 19 September 2013 by the Management Committee established under section 292 of the LCA.





## Independent Auditor's Report on the Summary Financial Statements to the members of the Lawyers and Conveyancers Special Fund

### REPORT ON THE SUMMARY FINANCIAL STATEMENTS

The accompanying summary financial statements of the Lawyers and Conveyancers Special Fund (the "Special Fund") on page 22, which comprise the summary statement of financial position as at 30 June 2013, and the summary statement of financial performance and summary statement of changes in equity for the year then ended, and related notes, are derived from the audited financial statements of the Special Fund for the year ended 30 June 2013. We expressed an unmodified audit opinion on those financial statements in our report dated 19 September 2013.

The summary financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of the Special Fund.

This report is made solely to the Members, as a body, for the purpose of expressing an opinion on the summary financial statements for the year ended 30 June 2013. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditor's report on summary financial statements and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members as a body, for our audit work, for this report, or for the opinions we have formed.

### MANAGEMENT COMMITTEES' RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

The Management Committee is responsible for the preparation of a summary of the audited financial statements, in accordance with *FRS-39: Summary Financial Reports*.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA (NZ)) 810: *Engagements to Report on Summary Financial Statements*.

Other than in our capacity as auditor, we have no relationship with or interests in the Special Fund.

### OPINION

In our opinion, the summary financial statements derived from the audited financial statements of the Special Fund for the year ended 30 June 2013 are consistent, in all material respects, with those financial statements, in accordance with *FRS-39: Summary Financial Reports*.

### CHARTERED ACCOUNTANTS

19 September 2013

Wellington, New Zealand

This audit report relates to the summary financial statements of the Special Fund for the year ended 30 June 2013 included on New Zealand Law Society's website. The Board of the New Zealand Law Society is responsible for the maintenance and integrity of New Zealand Law Society's website. We have not been engaged to report on the integrity of New Zealand Law Society's website. We accept no responsibility for any changes that may have occurred to the summary financial statements since they were initially presented on the website. The audit report refers only to the summary financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these summary financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary financial statements and related audit report dated 19 September 2013 to confirm the information included in the audited summary financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.



NEW ZEALAND  
LAW SOCIETY

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