



NEW ZEALAND LAW SOCIETY

Report on the Exercise of Regulatory Functions and Powers for the year
to 30 June 2012

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



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NZLS President



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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 2012.

The NZLS regulatory functions are as set out in section 65 of the Act, ie -

- 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, officers, 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:

<i>President:</i>	Jonathan Temm
<i>Vice-Presidents:</i>	<i>Auckland:</i> Andrew Gilchrist (Chris Moore from 13.4.12) <i>North Island:</i> Bruce Gilmour (John Unsworth from 13.4.12) <i>Wellington:</i> Mary Jeffcoat (Nerissa Barber from 13.4.12) <i>South Island:</i> Anne Stevens (Allister Davis from 13.4.12)
<i>Branch Representatives:</i>	<i>Auckland:</i> Chris Moore <i>Canterbury-Westland:</i> Allister Davis (Rachel Dunningham from 21.6.12) <i>Gisborne:</i> Alistair Clarke <i>Hawke’s Bay:</i> Jonathan Krebs <i>Manawatu:</i> Chris Robertson <i>Marlborough:</i> Bryony Millar <i>Nelson:</i> John Fitchett (Michelle Duggan from 29.3.12) <i>Otago:</i> Debbie Ericsson (Donna Buckingham from 26.4.12) <i>Southland:</i> Tegs Burt <i>Taranaki:</i> Rajan Rai <i>Waikato Bay of Plenty:</i> Bruce Hesketh <i>Wanganui:</i> John Unsworth (Kathryn Crooks from 30.3.12) <i>Wellington:</i> Nerissa Barber (Mark Wilton from 27.6.12)
<i>Sections:</i>	<i>Corporate Lawyers’ Association of New Zealand</i> <i>Chair:</i> Jeremy Valentine (Grant Adam from 11.5.12) <i>Family Law Section</i> <i>Chair:</i> Antony Mahon (Garry Collin from 30.4.12) <i>Property Law Section</i> <i>Chair:</i> Chris Moore
<i>Other Representatives:</i>	Miriam Dean QC (<i>New Zealand Bar Association</i>) Roger Partridge (<i>Large Firm Corporation</i>)

The Executive Board “the Board” comprises the President and the four Vice-Presidents.

Christine Grice is the Executive Director.

REGULATIONS AND PRACTICE RULES

There has been no change to the regulations and rules in the year to 30 June 2012. The NZLS is, however, in consultation with the Ministry of Justice on further amendments to the Lawyers and Conveyancers Act (Lawyers: Practice Rules) Amendment Regulations 2010. This is in relation to lawyers wishing to practise on own account and follows on from amendments made on 31 May 2010 relating to competency and professional development.

ADMISSION AND ENROLMENT OF LAWYERS

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 2011 to 30 June 2012, 764 certificates of character were issued and 864 candidates were admitted to the High Court.

In addition there were 24 admissions pursuant to the Trans Tasman Mutual Recognition Act 1997.

ISSUE OF PRACTISING CERTIFICATES

As at 30 June 2012 there were 11871 current practising certificates. Of those, 1579 were holding barristers' certificates and 10292 barristers and solicitors' certificates.

Renewal of practising certificates for the full year from 1 July 2012 to 30 June 2013 commenced in May 2012 with 11558 renewal invoices being created.

FITNESS FOR PRACTICE

For the year to 30 June 2012, a National Fitness for Practice Committee considered the following applications:

- 5 for certificates of character for admission
- 3 for new practising certificates
- 4 for renewal of practising certificates (the status of one lawyer was reviewed)
- 35 for practising on own account as a barrister and solicitor
- 17 for practising as a barrister on own account.

From 1 July 2010 following an amendment to the Lawyers and Conveyancers Act (Lawyers: Practice Rules) Amendment Regulations 2010 the NZLS applied a special circumstances discretion for applications to practise on own account in relation to the required 3 years legal experience in New Zealand during the previous 5 years. Twenty three applications were considered under this provision from those wanting to practise as barristers and solicitors on own account and 13 from barristers wishing to practise on own account.

The Committee makes recommendations for consideration by the Board.

Of those applications declined by the Board, 1 person applied to the High Court for a certificate of character (unopposed) which was granted by the Court.

REGISTER OF HOLDERS OF PRACTISING CERTIFICATES

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.

MODES OF PRACTICE

The lawyers holding practising certificates as at 30 June 2012 are recorded as practising in the following areas:

	%
Private practice (barristers and solicitors)	61.56
Private practice (barristers)	12.50
Government lawyers	11.26
Corporate lawyers	7.81
Professional/trade association	0.61
Academic	0.35
Overseas	3.14
Other	2.77

Some 3575 lawyers were practising on their own account as barristers and solicitors and 1406 on their own account as barristers sole.

PRACTISING FEES, LEVIES AND CONTRIBUTIONS

The following fees, levies and contributions were set by the NZLS Council for the 2011/2012 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	1140
NZ Council of Legal Education levy	20
Legal Complaints Review Officer levy	80
Total for barristers and employed lawyers	\$1240
Inspectorate fee	385
Total for barristers and solicitors practising on their own account without a trust account	\$1625
Lawyers' Fidelity Fund contribution	320
Total for barristers and solicitors practising on their own account with a trust account	\$1945

COMPLAINTS AND 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 6 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 an 0800 telephone line dedicated to receiving and responding to inquiries concerning complaints and the complaints service. An average of 61 calls per week have been made via that line.

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:

Complaints open as at 1.7.11	829
Complaints received 1.7.11 to 30.6.12	1625
- against lawyers	1536
- “ former lawyers	30
- “ non-lawyer employees	41
- “ incorporated law firms	17
- “ former non-lawyer employees	1
- “ former incorporated law firm	0
	1625

Complaints where a decision to take no action was made	1140
Complaints referred to and resolved by negotiation, conciliation or mediation	119
Complaints withdrawn, discontinued or settled	67
Complaints where Orders were made by a Lawyers Standards Committee pursuant to Section 156 or 157 of the Act	173
Complaints where decision made to refer matter to the Tribunal under section 152(2)(a) of the Act	34
Complaints outstanding as at 30 June 2012	914
Complaints closed between 1.7.11 and 30.6.12	1540
Orders by Lawyers Standards Committees for publication of lawyer’s name	5
Orders by Lawyers Standards Committees for publication of facts of complaint	52

The average time taken to conclude the complaints closed during the one year period to 30 June 2012 was 124 days, 23% of which were closed within 90 days.

The percentage of complaints concluded that resulted in no action was 74%. When including those resolved by negotiation, conciliation or mediation and those withdrawn, discontinued or settled the total is 86%.

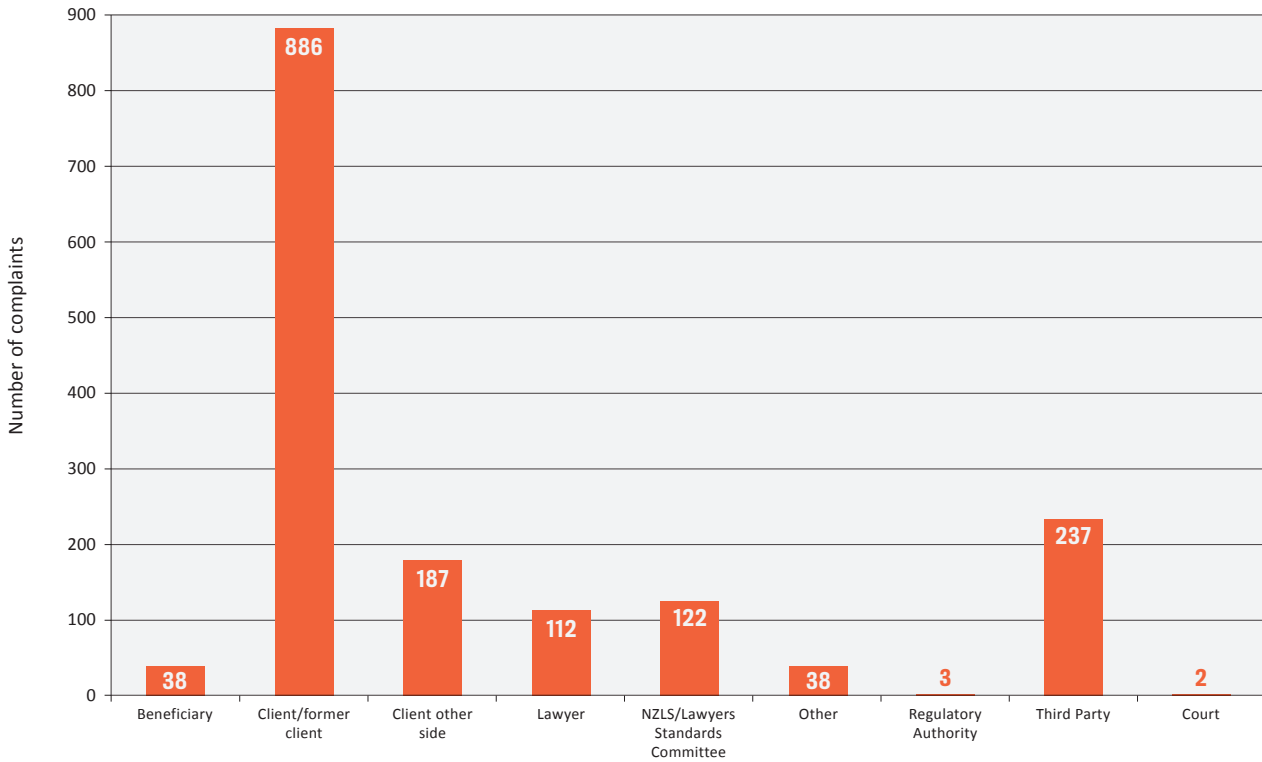
COMPLAINTS SERVICE

Resolution by Negotiation, Conciliation or Mediation – Early Resolution Service

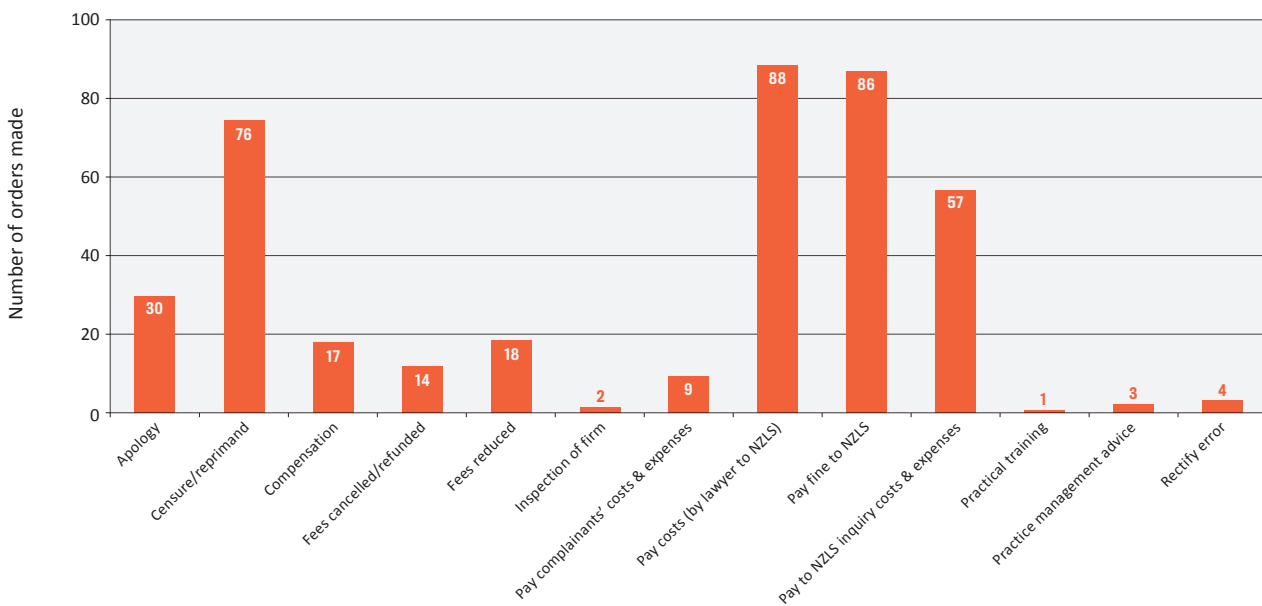
Since November 2011 the Lawyers Complaints Service has been trialling an Early Resolution Service involving complaints from 4 of the main centres. Complaints are selected to go to a specialist Lawyers Standards Committee. The Committee reviews the complaints and where appropriate directs the parties in these complaints to explore the possibility of resolution of the complaint by negotiation under s 143 of the Act.

The results of the trial, which is ongoing, are being analysed. Early indications are that the process leads to a greater number of complaints being resolved by negotiation, conciliation or mediation or withdrawn, discontinued or settled than in previous years.

SOURCE OF COMPLAINTS FOR YEAR TO 30 JUNE 2012

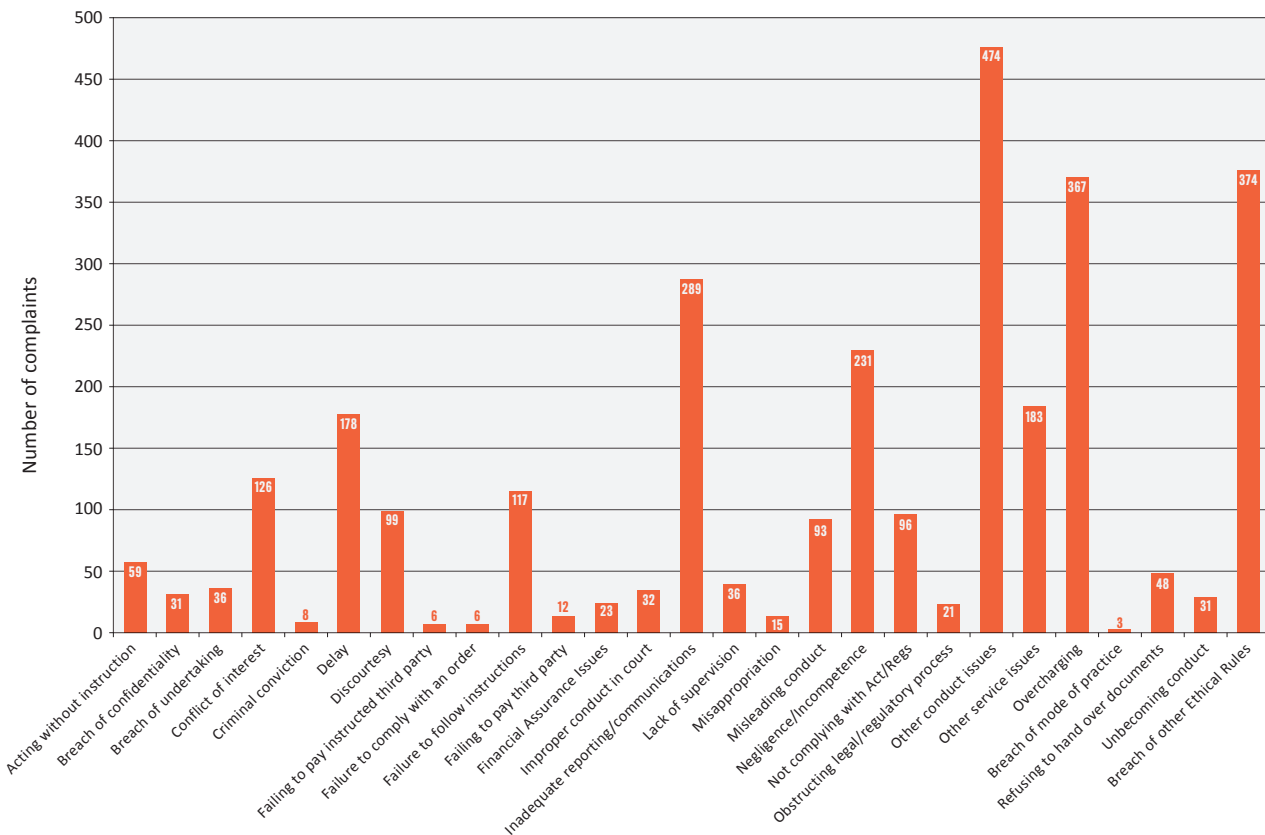


ORDERS MADE FOR YEAR TO 30 JUNE 2012



(Note: More than one order might be made per recorded complaint)

NATURE OF COMPLAINTS FOR YEAR TO 30 JUNE 2011



(Note: More than one type of complaint might be indicated per recorded complaint)

Lawyers Standards Committees

Regulation 12 of the CS Regulations established 18 regional, two national and 15 reserve committees. All the regional committees, four of the reserve committees and one of the national committees (a total of 23) have been declared by the Board to be Operational Standards Committees in accordance with regulation 12(2) at 30 June 2012. 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.

Training in better decision writing was provided to complaints staff in March 2012 and more general training was provided to staff, Convenors and Deputy Convenors of the Standards Committees in May 2012.

LEGAL COMPLAINTS REVIEW OFFICER (LCRO)

The LCRO reviews decisions 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 is proceeding through Parliament.

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 2011/12 was \$701,217 (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 in May 2012.

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

NEW ZEALAND LAWYERS AND CONVEYANCERS DISCIPLINARY TRIBUNAL (TRIBUNAL)

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.

The term of one lawyer member of the Tribunal expired on 30 June 2012. That member was reappointed to the Tribunal by the Board for a further term of one year. One existing lawyer member stood down from the Tribunal for a one year period and was replaced by a new lawyer member for the same period.

Payments of \$64,208 (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 NZLS appointed a National Prosecutions Manager in early 2012 to manage all prosecutions on behalf of the Lawyers Standards Committees before the Tribunal on a national basis.

NEW ZEALAND COUNCIL OF LEGAL EDUCATION (NZCLE)

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.

The NZCLE consulted the NZLS on its annual budget for funding purposes in accordance with section 276 of the Act.

A levy of \$22 (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 2012 of \$271,500 (GST exclusive). This will come into effect for the 2012/2013 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. Two nominations were required in the year under review. The Executive Director of the NZLS is a member of the NZCLE and was reappointed for a further three year term.

LAWYERS AND CONVEYANCERS SPECIAL FUND

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 on solicitors' trust accounts and bank deposits totalling \$4.807million. Administration expenses of \$28,072 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 5 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 2011/12 totalled \$113,000. An amount of \$608,000 has been set aside to cover future payments of claims relating to known or suspected thefts. Recoveries of funds for 2011/12 were \$nil.

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 2011/12 totalled \$76,000. An amount of \$490,000 has been set aside to cover future payments of claims relating to known or suspected thefts. Recoveries of funds for 2011/12 were \$nil.

COMPETENCY ASSURANCE AND PROFESSIONAL DEVELOPMENT

A new national course for lawyers wishing to practise on own account was developed and replaced the former Flying Start course from 1 July 2011. The new training programme, *Stepping Up: foundation for practising on own account* is a significant part of the NZLS's competence and professional development programme. 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.

Regulations and practice rules

The NZLS is working with the Ministry of Justice on changes to the Practice Rules, including an amendment which would require lawyers who wish to apply to practise on own account as barristers to attend the *Stepping Up* programme. The new amendments also reduce the period between completing *Stepping Up* and when a lawyer must commence practice on own account. When the new rules come into force, lawyers will have two years to commence practice after completing the course, instead of the current three year requirement.

Continuing professional development

A proposed mandatory continuing professional development scheme was put to all lawyers for consultation in February 2012. The three month consultation resulted in submissions from firms, government departments, legal representative groups and a number of individual lawyers. The large majority of submissions were in favour of some form of mandatory scheme. The NZLS has continued to work on incorporating the submissions received into the proposed scheme and further analysing the implementation and operation of mandatory schemes overseas.

The proposed scheme includes the development of a plan and 10 hours of verifiable ongoing legal education. The final scheme will be introduced in a staged process from 1 October 2013 with the full scheme in force from 1 April 2014.

Work has begun on the subordinate legislation required to implement the mandatory scheme.

FINANCIAL ASSURANCE SCHEME AND THE INSPECTORATE

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 8 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 (there being almost 1400 law practices operating trust accounts);

- (b) Ensure compliance by lawyers with sections 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;
- (e) Assist in the education of lawyers and incorporated law firms and their staff in the matters to which the Trust Account Regulations relate.

This year a risk management expert was engaged to update the risk management framework for the Inspectorate and define new assurance procedures.

When concluded:

- the NZLS will have a demonstrably credible assurance and inspection operation that is conducted within the Australia and New Zealand risk standards (AS/NZS/ISO 31000 (2009)) and assurance of better practices.
- risk assessments and the focus of inspections will be reviewed regularly on a structured basis and the practice methods will be continuously refined and improved.
- inspection resources and work plans will focus more intently on areas of high risk and less so on areas of lower risk.
- there may be a greater focus on self-assessment by firms and more interaction in this regard with firms running trust accounts.

In the discharge of its functions for the year to 30 June 2012 the Inspectorate has:

- conducted 427 reviews of the trust accounts;
- referred 28 reviews to local Lawyers Standards Committees. Twenty two remain with the Standards Committees pending further action, 3 lawyers were ordered to improve in particular areas and 3 lawyers had findings and Orders made against them.
- investigated the affairs of 19 practices resulting in;
 - 3 referrals by a Standards Committee to the Disciplinary Tribunal (1 lawyer was struck off and 2 are yet to be heard).
 - 2 requiring no further action
 - 2 lawyers having orders made against them
 - 8 remain open
 - 4 being the subject of formal investigation
- assisted with the preparation and delivery of several educational courses during the year, including *Stepping Up*, Trust Account Supervisors and 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

In the year to 30 June 2012, 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 22 Bills. It appeared before select committees on 8 of those Bills. The submissions were prepared by the voluntary contribution of members of the NZLS Law Reform Committee with assistance from specialist committees and sectional interest groups.

The specialist committees prepared submissions on 8 Law Commission documents and 48 submissions on

discussion documents from Government departments and statutory bodies.

The Law Reform Committee and secretariat also meets and corresponds with various officials and organisations in relation to law reform and the administration of Justice.

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

The NZLS Courthouse Committee provides assistance to the Ministry of Justice Courthouse Design Committee, and monitors issues such as courthouse design and security.

LIBRARIES

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 charges for research 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. A research and document delivery services 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 2011/12 was \$2.475 million.

MISCELLANEOUS STATISTICAL INFORMATION

Real estate services

Under rule 16 of the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008, 45 lawyers have notified the NZLS of intention to commence providing real estate services on a regular or systematic basis.

REVIEWS

Regulatory Review

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 is continuing.

Intervention rule

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 has undertaken 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 consultation is continuing.

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 report 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.

NEW ZEALAND LAW SOCIETY SUMMARY FINANCIAL STATEMENTS

The summary financial statements for the year ended 30 June 2012, 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 2012, of the New Zealand Law Society – Regulatory, approved for issue on 31 August 2012 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 31 August 2012.

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 entities.

The presentation currency is New Zealand dollars rounded to the nearest \$’000. 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.

NEW ZEALAND LAW SOCIETY – REGULATORY (CONTINUED)**Summary Statement of Comprehensive Income***For the year ended 30 June 2012*

	2012 – \$000	2011 – \$000
Revenue		
Practising and other service fees, interest	18,395	17,686
Expenses		
Administration and library	16,721	15,674
Surplus before income tax	1,674	2,012
Income tax expense	117	149
Net surplus for the year	1,557	1,863
Total comprehensive income for the year, net of tax	1,557	1,863

Summary Statement of Financial Position*As at 30 June 2012*

	2012 – \$000	2011 – \$000
Assets		
Current assets	23,486	22,069
Non-current assets	2,622	2,493
Total assets	26,108	24,562
Equity and liabilities		
Current liabilities	20,108	20,119
Equity	6,000	4,443
Total equity and liabilities	26,108	24,562

Summary Statement of Changes in Equity*For the year ended 30 June 2012*

	2012 – \$000	2011 – \$000
Equity at beginning of year	4,443	2,580
Total comprehensive income for the year, net of tax	1,557	1,863
Equity at end of year	6,000	4,443

Summary Statement of Cash Flows*For the year ended 30 June 2012*

	2012 – \$000	2011 – \$000
Net cash flows from operating activities	2,277	5,061
Net cash flows used in investing activities	(857)	(901)
Net increase in cash and cash equivalents	1,420	4,160
Cash and cash equivalents at beginning of year	21,550	17,390
Cash and cash equivalents at end of year	22,970	21,550

The financial statements were approved for issue on 31 August 2012 by the Board of the New Zealand Law Society.



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 13 to 14, which comprise the summary statement of financial position as at 30 June 2012, 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 2012. We expressed an unmodified audit opinion on those financial statements in our report dated 31 August 2012.

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 2012. 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 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, 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 2012 are consistent, in all material respects, with those financial statements, in accordance with FRS-43: *Summary Financial Statements*.

CHARTERED ACCOUNTANTS

31 August 2012

Wellington, New Zealand

This audit report relates to the summary financial statements of the New Zealand Law Society - Regulatory for the year ended 30 June 2012 included on the New Zealand Law Society's website. The Board of the New Zealand Law Society is responsible for the maintenance and integrity of the New Zealand Law Society's website. We have not been engaged to report on the integrity of the 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 31 August 2012 to confirm the information included in the audited summary financial statements presented on the 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 2012, of the New Zealand Law Society Lawyers Fidelity Fund and the New Zealand Law Society Solicitors' Fidelity Guarantee Fund, approved for issue on 31 August 2012 by the Board of the New Zealand Law Society, and The Lawyers and Conveyancers Special Fund approved for issue on 21 September 2012 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 \$'000. 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 2012

	2012 – \$000	2011 – \$000
Revenue		
Annual contributions, recoveries and interest	1,138	1,164
Expenses		
Claims and other	298	684
Surplus before income tax	840	480
Income tax expense	52	45
Net surplus for the year	788	435

Summary Statement of Financial Position

As at 30 June 2012

	2012 – \$000	2011 – \$000
Assets		
Current assets	2,871	3,663
Non-current assets	1,642	-
Total assets	4,513	3,663
Equity and liabilities		
Current liabilities	1,588	1,526
Equity	2,925	2,137
Total equity and liabilities	4,513	3,663

Summary Statement of Changes in Equity*For the year ended 30 June 2012*

	2012 – \$000	2011 – \$000
Equity at beginning of year	2,137	1,702
Net surplus for the year	788	435
Equity at end of year	2,925	2,137

The financial statements were approved for issue on 31 August 2012 by the Board of the New Zealand Law Society.

NEW ZEALAND LAW SOCIETY SOLICITORS' FIDELITY GUARANTEE FUND**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.

Summary Statement of Financial Performance*For the year ended 30 June 2012*

	2012 – \$000	2011 – \$000
Revenue		
Interest and claim recoveries	573	628
Expenses		
Claims and other	28	(171)
Surplus before income tax	545	799
Income tax expense	187	203
Net surplus for the year	358	596

Summary Statement of Financial Position*As at 30 June 2012*

	2012 – \$000	2011 – \$000
Assets		
Current assets	10,204	12,318
Non-current assets	2,337	-
Total assets	12,541	12,318
Equity and liabilities		
Current liabilities	540	675
Equity	12,001	11,643
Total equity and liabilities	12,541	12,318

Summary Statement of Changes in Equity*For the year ended 30 June 2012*

	2012 – \$000	2011 – \$000
Equity at beginning of year	11,643	11,047
Net surplus for the year	358	596
Equity at end of year	12,001	11,643

The financial statements were approved for issue on 31 August 2012 by the Board of the New Zealand Law Society.



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 the New Zealand Law Society Lawyers Fidelity Fund (the "Lawyers Fidelity Fund") and the New Zealand Law Society Solicitors' Fidelity Guarantee Fund (the "Fidelity Guarantee Fund") on pages 16 to 17, which comprise the summary statements of financial position as at 30 June 2012, and the summary statements of financial performance and summary statements of changes in equity for the year then, and related notes, are derived from the audited financial statements of the Lawyers Fidelity Fund and the Fidelity Guarantee Fund for the year ended 30 June 2012. We expressed an unmodified audit opinion on the financial statements of the Lawyers Fidelity Fund and the Fidelity Guarantee Fund in our reports dated 31 August 2012.

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 the 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 2012. 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 of Directors' Responsibility for the Summary Financial Statements

The Board of Directors of the Lawyers Fidelity Fund and the Fidelity Guarantee Fund 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 the Fidelity Guarantee Fund.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of Lawyers Fidelity Fund and the Fidelity Guarantee Fund for the year ended 30 June 2012 are consistent, in all material respects, with those financial statements, in accordance with FRS-39: *Summary Financial Reports*.

CHARTERED ACCOUNTANTS

31 August 2012

Wellington, New Zealand

This audit report relates to the summary financial statements of the New Zealand Law Society Lawyers Fidelity Fund and the New Zealand Law Society Solicitors Fidelity Guarantee Fund (herein after referred to as the "Funds") for the year ended 30 June 2012 included on the New Zealand Law Society's website. The Board of the New Zealand Law Society is responsible for the maintenance and integrity of the New Zealand Law Society's website. We have not been engaged to report on the integrity of the 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 31 August 2012 to confirm the information included in the audited summary financial statements presented on the 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 & 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 2012

	2012 – \$000	2011 – \$000
Revenue		
Interest on trust accounts and bank deposits	4,807	4,157
Expenses		
Ministry of Justice / Legal Services Agency	4,779	4,129
Administration and other	28	28
Total expenses	4,807	4,157
Residual balance for the year	-	-

Summary Statement of Financial Position

As at 30 June 2012

	2012 – \$000	2011 – \$000
Current assets	449	343
Current liabilities	449	343
Equity	-	-
Total equity and current liabilities	449	343

Summary Statement of Changes in Equity

For the year ended 30 June 2012

There were no changes in equity for the year ended 30 June 2012 (2011 – Nil).

The financial statements were approved for issue on 21 September 2012 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 19, which comprise the summary statement of financial position as at 30 June 2012, 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 2012. We expressed an unmodified audit opinion on the financial statements of the Special Fund in our report dated 21 September 2012.

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 2012. 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 Committee's 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 2012 are consistent, in all material respects, with those financial statements, in accordance with FRS-39: *Summary Financial Reports*.

CHARTERED ACCOUNTANTS

21 September 2012

Wellington, New Zealand

This audit report relates to the summary financial statements of The Lawyers and Conveyancers Special Fund (the "Special Fund") for the year ended 30 June 2012 included on the New Zealand Law Society's website. The Board of the New Zealand Law Society is responsible for the maintenance and integrity of the New Zealand Law Society's website. We have not been engaged to report on the integrity of the 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 21 September 2012 to confirm the information included in the audited summary financial statements presented on the website. Legislation in New Zealand governing the preparation and dissemination of financial statements and summary financial statements may differ from legislation in other jurisdictions.



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