

NEW ZEALAND LAW SOCIETY

REPORT ON THE EXERCISE
OF REGULATORY FUNCTIONS
AND POWERS FOR THE YEAR TO
30 JUNE 2014

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



NEW ZEALAND LAW SOCIETY BOARD

FRONT ROW FROM LEFT: [Kathryn Beck](#) (*Vice-President, Auckland*)
[Chris Moore](#) (*President*)
[Allister Davis](#) (*Vice-President, South Island*)

BACK ROW FROM LEFT: [Mark Wilton](#) (*Vice-President, Wellington*)
[John Unsworth](#) (*Vice-President, central North Island*)

CONTENTS

Introduction	2
Constitution	2
Regulations and Practice Rules	3
Admission and Enrolment of Lawyers	3
Issue of Practising Certificates	3
Register of Holders of Practising Certificates	4
Modes of Practice	4
Practising Fees, Levies and Contributions	4
Complaints and Discipline	5
Legal Complaints Review Officer	9
New Zealand Lawyers and Conveyancers Disciplinary Tribunal	9
New Zealand Council of Legal Education	9
Lawyers and Conveyancers Special Fund	10
Fidelity Funds	10
Competence Assurance and Professional Development	10
Financial Assurance Scheme and the Inspectorate	11
Lawyer Nominee Companies	13
Assisting and Promoting the Reform of the Law	13
Libraries	13
Miscellaneous Statistical Information	14
Reviews	14
Summary Financial Statements	15

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 2014.

- 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, 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:

PRESIDENT: Chris Moore

VICE-PRESIDENTS:

AUCKLAND: Kathryn Beck

CENTRAL NORTH ISLAND: John Unsworth

WELLINGTON: Nerissa Barber (Mark Wilton from 11 April 2014)

SOUTH ISLAND: Allister Davis

BRANCH REPRESENTATIVES:

AUCKLAND: Tim Jones

CANTERBURY-WESTLAND: Rachel Dunningham (Colin Eason from 3 December 2013)

GISBORNE: Alistair Clark (Tiana Epati from 13 March 2014)

HAWKE'S BAY: Carol Hall

MANAWATU: Chris Robertson

MARLBOROUGH: Bryony Millar (Simon Gaines from 12 March 2014)

NELSON: Michelle Duggan (Rob Somerville from 15 April 2014)

OTAGO: Gerard DeCourcy (David Robinson from 8 May 2014)

SOUTHLAND: Bill Dawkins

TARANAKI: Rajan Rai

WAIKATO BAY OF PLENTY: Bruce Hesketh (Kerry Burroughs from 16 April 2014)

WHANGANUI: Kathryn Crooks (Mark Bullock from 4 April 2014)

WELLINGTON: Mark Wilton (Nerissa Barber from 25 June 2014)

SECTIONS:

CORPORATE LAWYERS' ASSOCIATION OF NEW ZEALAND – *President:* Grant Adam
(Ian Hasell from 16 May 2014)

FAMILY LAW SECTION – *Chair:* Garry Collin (Allan Cooke from 3 April 2014)

PROPERTY LAW SECTION – *Chair:* Andrew Logan

OTHER REPRESENTATIVES:

Stephen Mills QC (*New Zealand Bar Association – President*)

Roger Partridge (*Large Firm Corporation – Representative*)

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

There has been no change to the existing regulations and rules in the year to 30 June 2014. New Lawyers and Conveyancers Act (Lawyers: Ongoing Legal Education – Continuing Professional Development) Rules 2013 came into force on 1 October 2013 (see page 11).

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 2013 to 30 June 2014, there were 833 certificates of character issued and 868 candidates admitted to the High Court.

In addition there were 23 admissions pursuant to the Trans-Tasman Mutual Recognition Act 1997.

As at 30 June 2014 there were 12,518 current practising certificates. Of those lawyers, 1,558 were holding barristers' certificates and 10,960 barristers and solicitors' certificates.

Renewal of practising certificates for the full year from 1 July 2013 to 30 June 2014 commenced in May 2014 with 12,359 renewal invoices being created. The renewal process was electronic. The Practice Approval Committees have delegated authority from the Council and Board to consider, investigate and finally decide "non-standard" applications relating to practice issues.

For the year 1 July 2013 to 30 June 2014 the two Committees considered the following applications:

- 20 applications for certificates of character for admission
- 20 applications for new practising certificates
- 4 applications for renewal of practising certificates
- 8 applications for practising on own account as a barrister and solicitor or barrister
- 16 applications for practising on own account as a barrister and solicitor or barrister (under "special circumstances")
- 1 application regarding change of mode of practice
- 4 applications for consent for operation of power of attorney when practitioner suspended (schedule 1 clauses 7(e) & 8(e))
- 5 applications for consent for operation of power of attorney when practitioner struck off (schedule 1 clauses 7(g) & 8(g))
- 4 applications for exemptions under r 20 of the Trust Account Regulations
- 1 application regarding whether NZLS would support an application to Tribunal for consent to employ suspended practitioner
- 4 applications regarding other miscellaneous practice issues

A number of applications came before the committee on more than one occasion.

Of the applications considered by the Committees in the reporting year 21 were declined. Of those declined 2 applications for practising certificates were appealed to the Disciplinary Tribunal and 3 applications for admission were filed in the High Court.

One application for admission was refused by the High Court. The 2 other

REGULATIONS AND PRACTICE RULES

ADMISSION AND ENROLMENT OF LAWYERS

ISSUE OF PRACTISING CERTIFICATES

REGISTER OF HOLDERS OF PRACTISING CERTIFICATES

MODES OF PRACTICE

applications for admission were granted by the High Court.

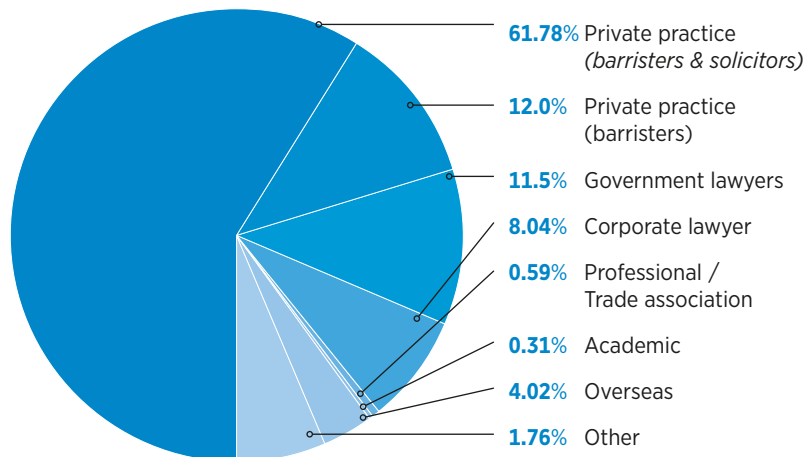
In the 2 appeals to the Disciplinary Tribunal both applicants were granted practising certificates subject to undertakings.

There is currently one application for Judicial Review of a decision to refuse renewal of a practising certificate.

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.

The lawyers holding practising certificates as at 30 June 2014 are recorded as practising in the following areas:

3629 lawyers were practising on their own account as barristers and solicitors and 1363 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 2013/2014 practising fee year with (in the case of the practising fee and Lawyers' Fidelity Fund contribution) the approval of the Minister of Justice:

Practising fee	1170
NZ Council of Legal Education levy	25
Legal Complaints Review Officer levy	67
Total for barristers and employed lawyers	1262

Inspectorate fee	385
Total for barristers and solicitors practising on their own account without a trust account	1647

Lawyers' Fidelity Fund contribution	320
Total for barristers and solicitors practising on their own account with a trust account	1967

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

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).

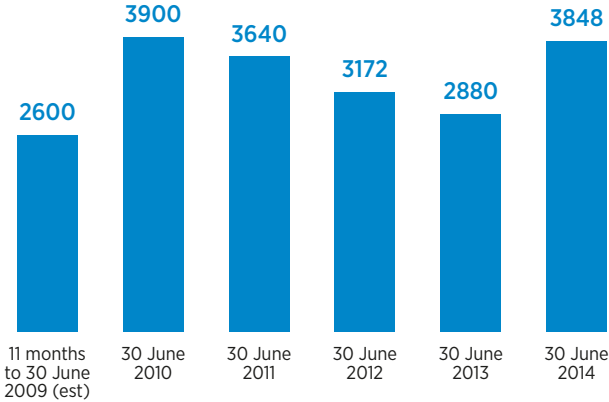
As required by the CS Regulation 6(3), the NZLS provides a 0800 telephone line dedicated to receiving and responding to inquiries concerning complaints and the complaints service.

COMPLAINTS AND DISCIPLINE

Complaints Service

Calls to 0800 number

	Total number of calls	Average calls per week
11 months to 30 June 2009 (est)	2600	50
30 June 2010	3900	75
30 June 2011	3640	70
30 June 2012	3172	61
30 June 2013	2880	55
30 June 2014	3848	74



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

The NZLS publishes 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:

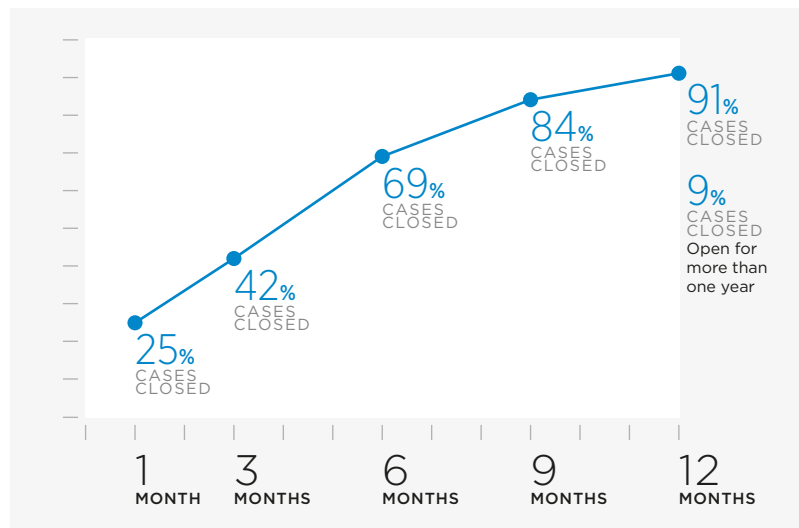
COMPLAINTS RECEIVED 1.7.13 TO 30.6.14 1630

Complaints

COMPLAINTS
AND DISCIPLINE
Continued ...

Against lawyers	1498
Against former lawyers	36
Against non-lawyer employees	32
Against former non-lawyer employees	3
Against incorporated law firms	61
Against former incorporated law firms	0
 Individual lawyers / Incorporated law firms about which complaints were received	 1202
 COMPLAINTS CLOSED FOR YEAR TO 30.6.14	 1747
Complaints where a decision to take no action was made	1280
Complaints referred to and resolved by negotiation, conciliation or mediation	166
Complaints withdrawn, discontinued or settled	77
Complaints where Orders were made by a Lawyers Standards Committee pursuant to s 156 of the Act	180
Complaint where Orders were made by a Lawyers Standards Committee pursuant to s 157 of the Act (costs where no orders made)	1
Complaints where decision made to refer matter to the Tribunal under s 152 (2)(1) of the Act	43
Orders by Lawyers Standards Committee for publication of lawyers' names	9
Orders by Lawyers Standards Committee for publication of facts of complaint	42
 COMPLAINTS OUTSTANDING AS AT 30.6.14	 622

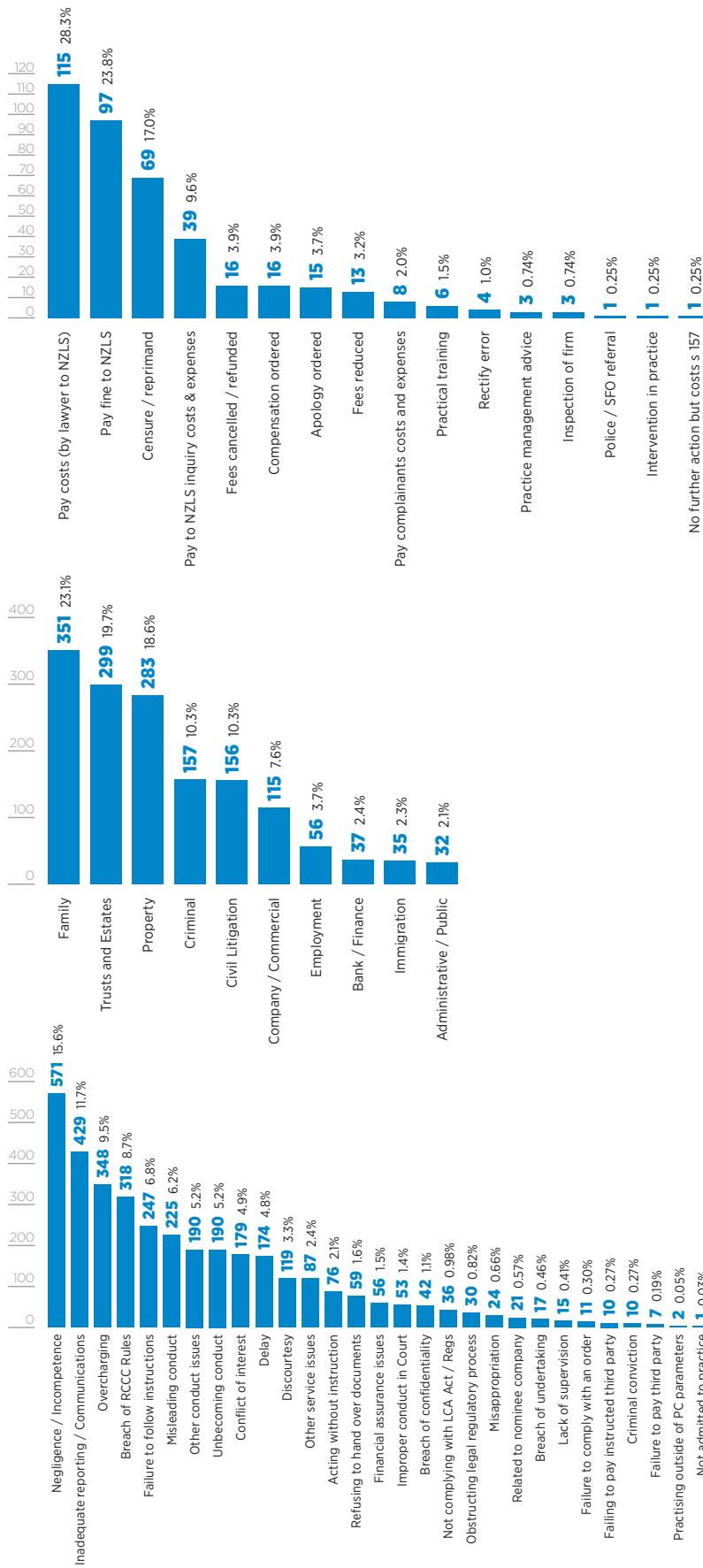
*Closure of
complaints*



Including complaints concluded through the Early Resolution Service.

Of the 1747 complaints closed during the period:

- The percentage of complaints concluded that resulted in no further action was 73%.
- When including those resolved by negotiation, conciliation or mediation and those withdrawn, discontinued or settled the total is 87%.



Orders made

NOTE: More than one order might be made per complaint

Main areas of law in which complaint arose

Type of complaint

NOTE: A complaint may be of more than one type

Early Resolution Service

RESOLUTION BY NEGOTIATION, CONCILIATION OR MEDIATION — EARLY RESOLUTION SERVICE

The Lawyers Complaints Service trialled an Early Resolution Service (ERS) involving complaints from 4 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 Lawyers 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.

Complaints accepted for ERS in year to 30.6.14	774
Complaints outstanding in ERS as 30.6.14	68
ERS complaints closed for year to 30.6.14	696
Complaints where a decision to take no action was made	476
Complaints resolved	220
Complaints not resolved and returned to standard track process	82

The above figures are a subset of the figures published above for the entire Lawyers Complaints Service.

Around 40% of all complaints received by the Lawyers Complaints Service are concluded through the ERS.

Average time taken to conclude within ERS	30 days
Average time taken to conclude complaints where decision was to take no action	23 days
Average time taken to conclude complaints that were resolved	45 days

Number of days measured as ordinary calendar days, not working days.

Concerns Form

Since 1 February 2013 a concerns form has been available 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 5 working days at the person's preferred time to discuss the concern.

Total concerns received for year to 30 June 2014	408
Concerns that result in a complaint	49
Percentage	12.1%

Lawyers Standards Committees

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 2014.

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 is provided to complaints staff, Convenors and Deputy Convenors of the Standards Committees.

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.

Rex Maidment was appointed as the Legal Complaints Review Officer (LCRO) in March 2014 following the resignation of the former LCRO Hanneke Bouchier effective 14 March 2014. Owen Vaughan and Dorothy Thresher (appointed July 2013) are his deputies.

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 2013/14 was \$1,050,783 (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. In addition the LCRO and his two Deputies attended and presented at the training day for staff, Convenors and Deputy Convenors on 7 May 2014.

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.

Number of referrals	42
Lawyers prosecuted	35
Lawyers struck off	10
Lawyers suspended	8

The terms of ten existing lawyer members of the Tribunal expired during the period to 30 June 2014. Nine of those members were reappointed to the Tribunal by the Board for further periods of 3 years expiring on 30 June 2017. One member resigned and one member, whose term had not expired resigned. The Board appointed one new member and reappointed a former member for 3 years to 30 June 2017.

A new Deputy Chair (retired) Judge B J Kendall was appointed by the Tribunal on 15 April 2014 following the resignation of the former Deputy Chair on 31 January 2014.

Payments of \$258,974 (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.

The NZCLE consulted the NZLS on its annual budget for funding purposes in accordance with section 276 of the Act. 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 2014 of \$269,000 (GST exclusive). This will come into effect for the 2014/2015 practising fee year.

**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 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 3 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 on solicitors' trust accounts and bank deposits totalling \$5.894 million. Administration expenses of \$28,000 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 2013/14 totalled \$547,000. An amount of \$133,000 has been set aside to cover future payments of claims relating to known or suspected thefts. Recoveries of funds for 2013/14 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 2013/14 totalled \$8,000. An amount of \$835,000 has been set aside to cover future payments of claims relating to known or suspected thefts. Recoveries of funds for 2013/14 were \$2,000.

COMPETENCE ASSURANCE AND PROFESSIONAL DEVELOPMENT

Stepping up

Four sessions of *Stepping Up: foundation for practising on own account* were held during the 2013-2014 practice year and were attended by 265 lawyers in all. The extensive course involves a minimum of 40-50 hours of self-directed pre-course preparation followed by a 3 day intensive workshop. Developed with the aid of a generous grant from the NZ Law Foundation the course is comprised of three elements, business management, professional conduct and client care, and trust account management which are further broken down into 13 separate modules.

The course prescription is set by the NZLS Board and the course itself is delivered

by NZLS CLE Ltd under contract to the NZLS. Participants hold it in high regard all reporting it met (or in 58 % of cases, exceeded) their expectations. Its self-directed approach to learning is in line with adult education best practice.

The draft Lawyers and Conveyancers Act (Lawyers: Ongoing Legal Education – Continuing Professional Development) Rules 2013 were approved by the Minister of Justice on 5 July 2013, and came into force on 1 October 2013 with a six month transition period. To help lawyers become familiar with the CPD requirements they could include up to 5 hours of educational activities from the transitional period in their CPD plan and record (CPDPR) for the first CPD year which began on 1 April 2014.

During October 2013 a free seminar was held to explain the rules and how to develop and maintain a CPDPR. Presented by Emeritus Professor Neil Gold of the University of Windsor, Canada, and Christine Grice the Law Society's Executive Director and introduced by Chris Moore the Law Society President or his nominee, the seminar visited 12 centres with 2 webinar sessions, and was attended by 2668 lawyers. Professor Gold's costs were met by a grant from the NZ Law Foundation.

The CPD rules are learner centred, plan based and build on self-knowledge and reflection. They recognise competence means more than technical expertise and knowledge. CPD hours may include communication skills, the ability to understand and apply the client care rules and self / practice management skills as well as legal knowledge and skills. Lawyers must develop and maintain a CPDPR and complete 10 hours of educational activities to assist them to meet their identified learning needs.

Extensive materials to help lawyers apply the Rules have been developed for the NZLS website including guidelines to the rules, instructions on developing a CPDPR together with worked examples, forming and leading study groups, guidelines for CPD providers and instructions on applying for self-audit status.

The first CPD year ends on 31 March 2015 and all lawyers will need to declare on-line they have complied with the Rules by that date.

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), Christchurch (2), Hamilton (1) and Wellington (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 1480 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; 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.

Continuing Professional Development

FINANCIAL ASSURANCE SCHEME AND THE INSPECTORATE

For the year to 30 June 2014 the Inspectorate has implemented a full year of a new risk management framework procedure. Law firms are now reviewed and assessed on the basis of risk.

In the discharge of its functions for the year to 30 June 2014 the Inspectorate has:

- Conducted 389 reviews of trust accounts. Of these, there were:
 - 44 general reviews;
 - 265 limited reviews;
 - 36 focus reviews;
 - 11 exit reviews.
 - 33 new practice reviews;

A **general review** is risk-based and has a broad scope. It examines all issues related to the operation of a trust account.

A **limited review** is limited in scope and is risk-based. It is a short inspection that is mainly focused on month-end balancing procedures. This type of review consists of looking at trust account reconciliation and supporting documentation, along with trust account records generally and specific client documents.

A **focus review** is limited in scope and is risk-based, and is mainly focused on investigating specific matters that have been raised with the practice. This type of review consists of looking at the documentation relevant to the concerns that prompted the review.

An **exit review** is a short inspection focused solely on ensuring that all necessary matters have been complied with in closing the practice and the trust account. This type of review consists of looking at relevant documentation in order to establish that client funds have been transferred as authorised by the client, taking into account the nature of the closure of the practice, whether a closedown, retirement, or takeover or merger.

A **new practice review** is a short inspection focused solely on ensuring that all necessary requirements have been complied with when a lawyer begins practising on his or her own account. This type of review consists of looking at trust account reconciliation and supporting documentation, along with trust account records generally and specific client documents.

- Referred 43 reviews to the Lawyers Complaints Service. Of these:
 - 27 remain with the Standards Committees pending further action;
 - 3 required no further action;
 - 2 led to further investigations;
 - 1 lawyer was ordered to desist from a current practice;
 - 7 lawyers had unsatisfactory findings and orders made against them;
 - 3 lawyers were referred to the Disciplinary Tribunal.
- Investigated the affairs of 9 law firms resulting in:
 - 4 referrals by a Standards Committee to the Disciplinary Tribunal (all lawyers struck off and or suspended);
 - 1 lawyer having an order made against them;
 - 3 remain open;
 - 1 referral to the Police.
- Assisted with the development, preparation and delivery of educational courses during the year including Stepping Up, Trust Account Supervisors and Trust Account Administrators courses;
- Delivered seminars on trust account related issues and wrote articles for publication to lawyers;

- Assisted Law Society branches in undertaking (s 30) Practice On Own Account interviews;
- Assisted lawyers where individual advice was required.

The Law Society has been in continued consultation with the Financial Markets Authority (FMA) in relation to the expiry of the Securities Act (Contributory Mortgage) Regulations (Solicitors) Exemption Notice 1996 on 30 September 2016. After this date law firms running contributory mortgage schemes will be regulated by the FMA.

There has been a number of communications to law firms about this and advising of various developments and ancillary matters relating to new conditions applying during the transitional period. In particular all such law firms were required to register on the Register of Financial Service Providers and join a dispute resolution scheme before 1 July 2014.

In the year to 30 June 2014, 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 three lawyers' nominee companies under rule 5.1 of those Rules.

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

The Law Society examined all Bills introduced to Parliament and made submissions on 27 Bills. It appeared before select committees on 14 of those Bills. The Law Society prepared submissions on 48 discussion documents from Government departments and statutory bodies, and 1 Law Commission paper.

The submissions were prepared by the voluntary contribution of members of the NZLS Law Reform Committee with assistance from specialist committees and the Property Law and Family Law Sections.

The Law Society 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 Law Society, assisted by the committees and Sections, also wrote on a number of occasions during the year to Ministers and government departments about a range of law reform and administration of justice issues.

The Courthouse Committee monitors operation of the courts and courthouses across New Zealand, and keeps a watching brief on issues affecting the profession and the community – including courthouse design and security; introduction of technology in courts; and court closures, courts management restructuring, and reduced services.

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

LAWYERS NOMINEE COMPANIES

ASSISTING AND PROMOTING THE REFORM OF THE LAW

LIBRARIES

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 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 2013/14 was \$2.857 million.

MISCELLANEOUS: *Real estate services*

Under rule 16 of the Lawyers and Conveyancers Act (Lawyers: Conduct and Client Care) Rules 2008 (RCCC), 62 lawyers have notified the NZLS of their 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 has been on-going over the reporting period with the fourth meeting of the Governance Group of the regulatory review of services operational improvement programme being held on 24 March 2014.

Intervention Rule

Under rule 14.5 of the RCCC, 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.

At its meeting on 11 April 2014 the NZLS Council passed a resolution to amend rules 3.4 to 3.10 and rules 14.4 to 14.13 of the RCCC. The changes approved amend the existing intervention provisions in the client care rules so that the exceptions to the requirements for barristers through an instructing barrister and solicitor are expanded. The amendments expand exceptions to the rule for various matters including certain categories of criminal, family and employment law matters and general civil matters which are not proceedings before a District Court, High Court, Court of Appeal or Supreme Court. In addition providing a legal opinion would be exempted.

The approval of the Minister of Justice was sought to the amendments to the RCCC and these were approved in principle on 25 June 2014. The amendments will go before the NZLS Council for final approval in October 2014.

The NZLS engaged in extensive consultation with various sectors of the profession and other stakeholders. Many lawyers favoured the entire abolition of the Intervention Rule whereas some favoured the retention of the Rule largely in its present form. The NZLS considers the suggested amendments strike a reasonable balance.

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 previous 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 on an ongoing basis.

New Zealand Law Society Summary Financial Statements

The summary financial statements for the year ended 30 June 2014, 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

The summary financial statements have been extracted from the full audited financial statements for the year ended 30 June 2014, of the New Zealand Law Society – Regulatory, approved for issue on 29 August 2014 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 29 August 2014.

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 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

Summary Statement of Comprehensive Income

For the year ended 30 June 2014

	2014 \$000	2013 \$000
REVENUE		
Practising and other service fees, interest	19,620	19,048
EXPENSES		
Administration and library	19,326	18,109
Surplus before income tax	294	939
Income tax expense	189	168
Net surplus for the year	105	771
Total comprehensive income for the year, net of tax	105	771

Summary Statement of Financial Position

As at the 30 June 2014

	2014 \$000	2013 \$000
ASSETS		
Current assets	25,787	24,652
Non-current assets	2,871	3,216
Total assets	28,658	27,868
EQUITY AND LIABILITIES		
Current liabilities	21,782	21,097
Equity	6,876	6,771
Total equity and liabilities	28,658	27,868

Summary Statement of Changes in Equity

For the year ended 30 June 2014

	2014 \$000	2013 \$000
Equity at beginning of year	6,771	6,000
Total comprehensive income for the year, net of tax	105	771
Equity at end of year	6,876	6,771

Summary Statement of Cash Flows

For the year ended 30 June 2014

	2014 \$000	2013 \$000
Net cash flows from operating activities	1,554	2,701
Net cash flows used in investing activities	(400)	(1,322)
Net increase in cash and cash equivalents	1,154	1,379
Cash and cash equivalents at beginning of year	24,349	22,970
Cash and cash equivalents at end of year	25,503	24,349

The financial statements were approved for issue on 29 August 2014 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 page 16, which comprise the summary statement of financial position as at 30 June 2014, 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 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 29 August 2014.

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 2014. 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 2014 are consistent, in all material respects, with those financial statements, in accordance with FRS-43: *Summary Financial Statements*.

CHARTERED ACCOUNTANTS

29 August 2014

Wellington, New Zealand

This audit report relates to the summary financial statements of New Zealand Law Society – Regulatory for the year ended 30 June 2014 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 29 August 2014 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**

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

*Summary Statement
of Financial
Performance*

For the year ended 30 June 2014

*Summary Statement
of Financial Position*

As at 30 June 2014

The summary financial statements have been extracted from the full audited financial statements for the year ended 30 June 2014, of the New Zealand Law Society Lawyers' Fidelity Fund and the New Zealand Law Society Solicitors' Fidelity Guarantee Fund, approved for issue on 29 August 2014 by the Board of the New Zealand Law Society, and The Lawyers and Conveyancers Special Fund approved for issue on 10 October 2014 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*.

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.

	2014	2013
	\$000	\$000
REVENUE		
Annual contributions, recoveries and interest	1,191	1,179
EXPENSES		
Claims and other	422	(60)
Surplus before income tax	769	1,239
Income tax expense	70	66
Net surplus for the year	699	1,173

	2014	2013
	\$000	\$000
ASSETS		
Current assets	5,908	5,470
Total assets	5,908	5,470
EQUITY AND LIABILITIES		
Current liabilities	1,111	1,372
Equity	4,797	4,098
Total equity and liabilities	5,908	5,470

	2014	2013
	\$000	\$000
Equity at beginning of year	4,098	2,925
Net surplus for the year	699	1,173
Equity at end of year	4,797	4,098

Summary Statement of Changes in Equity

For the year ended 30 June 2014

The financial statements were approved for issue on 29 August 2014 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

	2014	2013
	\$000	\$000
REVENUE		
Interest	554	571
EXPENSES		
Claims and other	752	(76)
Surplus before income tax	(198)	647
Income tax expense	180	187
Net surplus for the year	(378)	460

Summary Statement of Financial Performance

For the year ended 30 June 2014

	2014	2013
	\$000	\$000
ASSETS		
Current assets	11,189	11,764
Non-current assets	1,826	1,004
Total assets	13,015	12,768
EQUITY AND LIABILITIES		
Current liabilities	931	306
Equity	12,084	12,462
Total equity and liabilities	13,015	12,768

Summary Statement of Financial Position

As at 30 June 2014

	2014	2013
	\$000	\$000
Equity at beginning of year	12,462	12,002
Net surplus for the year	(378)	460
Equity at end of year	12,084	12,462

Summary Statement of Changes in Equity

For the year ended 30 June 2014

The financial statements were approved for issue on 29 August 2014 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' 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' Guarantee Fund (the "Fidelity Guarantee Fund") on pages 18 to 19, which comprise the summary statements of financial position as at 30 June 2014, 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 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 29 August 2014.

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 2014. 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 2014 are consistent, in all material respects, with those financial statements, in accordance with FRS-39: *Summary Financial Reports*.

CHARTERED ACCOUNTANTS

29 August 2014

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 2014 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 29 August 2014 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.

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. The income, after deduction of allowed expenditure, is distributed to the Ministry of Justice for the purpose of funding Community Law Centres.

THE LAWYERS & CONVEYANCERS SPECIAL FUND

	2014	2013
	\$000	\$000
REVENUE		
Interest on trust accounts and bank deposits	5,894	5,466
EXPENSES		
Ministry of Justice	5,866	5,438
Administration and other	28	28
Total expenses	5,894	5,466
Residual balance for the year	-	-

Summary Statement of Financial Performance

For the year ended 30 June 2014

	2014	2013
	\$000	\$000
ASSETS		
Current assets	571	465
Total assets	571	465
EQUITY AND LIABILITIES		
Current liabilities	571	465
Equity	-	-
Total equity and current liabilities	571	465

Summary Statement of Financial Position

As at 30 June 2014

There were no changes in equity for the year ended 30 June 2014 (2013 – Nil).

Summary Statement of Changes in Equity

For the year ended 30 June 2014

The financial statements were approved for issue on 10 October 2014 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 21, which comprise the summary statement of financial position as at 30 June 2014, 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 2014. We expressed an unmodified audit opinion on those financial statements in our report dated 10 October 2014.

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 2014. 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 2014 are consistent, in all material respects, with those financial statements, in accordance with FRS-39: *Summary Financial Reports*.

CHARTERED ACCOUNTANTS

10 October 2014

Wellington, New Zealand

This audit report relates to the summary financial statements of the Special Fund for the year ended 30 June 2014 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 10 October 2014 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

NZLS EST 1869