

ANNUAL REPORT 2015

LEGAL CONTRIBUTION TRUST

Overview

Executive Summary

Performance Highlights

- During the financial year, \$1,497,973 was distributed to Legal Aid WA and further distributions of \$657,220 to other nominated beneficiaries by the Attorney General after consultation with the Law Society of Western Australia.
- From the surplus earned in the six months to 30 June 2014, there is \$488,040 to be distributed to Legal Aid WA. A further \$846,219 is available for distribution by the Attorney General after consultation with the Law Society of Western Australia.
- All unremitted interest income from financial institutions in relation to the solicitors trust accounts has been received.
- Management is working with the Legal Practice Board and financial institutions to improve controls for the collection of interest of solicitors trust accounts to ensure completeness of the interest income from solicitors trust accounts

Operational Structure

The Legal Contribution Trust is managed by Trustees appointed by the Governor and administered by the Law Society of Western Australia

The Trustees meet as required to consider any claims made against the Solicitors Guarantee Fund and to manage the financial and administration operations of the Legal Contribution Trust.

The Law Society of Western Australia performs the financial and administration operations of the Legal Contribution Trust. The Executive Director of the Society is appointed as the Accountable Officer for the Trust and the Society's Corporate Services Manager acts as the Chief Finance Officer.

Additionally, the Trustees in conjunction with the Legal Practice Board have appointed Trust Account Inspectors to conduct audits of solicitor's trust accounts. The inspectors also provide education for practitioners and their external auditors on their obligations in respect of the maintenance of trust accounts, compliance with the Legal Profession Act and the application of current accounting practices.

Enabling Legislation

The Legal Contribution Trust was established in Western Australia by the Legal Profession Act 2008.

Responsible Minister

The Hon. Michael Mischin, MLC, Attorney General; Minister for Commerce

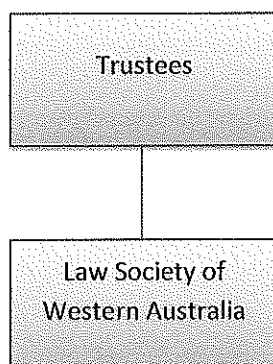
Organisational Structure

Trust Objectives

The Legal Profession Act (2008), Section 399(1) states the functions of the Trust to be:

- (a) to receive and invest money paid to it under this or any other Act;
- (b) to apply money resulting from investments in the manner and for the purposes provided by this Part;
- (c) to administer and control the Guarantee Fund;
- (d) to exercise and discharge the functions conferred or imposed on it by this or any other Act.

Organisational Chart



Trustees

The Trustees holding office during the year under review were:

Mr L J Shervington (Chairman)

Solicitor

(appointed by Law Society of Western Australia)

The Hon R I Viner AO QC

Barrister

(appointed by Legal Practice Board)

Ms C Ferrari

(appointed by the Attorney General)

Administered Legislation

The Trustees assist the Attorney General in administration of section 399(1) of the Legal Profession Act 2008.

Other Key Legislation Impacting on the Legal Contribution Trust's Activities

In the performance of its functions, the Legal Practice Board complies with the following relevant written laws:

- Auditor General Act 2006;
- Financial Management Act 2006;
- Legal Profession Regulations 2009

Performance Management Framework

Outcome Based Management Framework

The target outcome of the Legal Contribution Trust is the application to public purposes of moneys resulting from its operating profit.

The Act directs that the operating profit be applied to the Solicitors Guarantee Fund until the Fund reaches its maximum balance (of \$19,100,000) set by the Attorney General. Of additional profits, 50% is applied to the Legal Aid Commission and the remaining 50% to the Law Society of Western Australia, community legal centres and other bodies in such sums as is agreed between the Minister and the Society from time to time.

The money applied to the Solicitors Guarantee Fund is held for the purpose of compensating persons who suffer pecuniary loss as the result of stealing or fraudulent conversion of property entrusted to legal practitioners for their benefit.

Changes to Outcome Based Management Framework

The Legal Contribution Trust's Outcome Based Management Framework did not change during 2013-2014.

Shared Responsibilities

The Legal Contribution Trust did not share any responsibilities with other agencies in 2013-2014.

Agency Performance

Report on Operations

The profit for the financial year to 30 June 2014 was \$2,155,744.

Major income items were:

	30 Jun 14	30 Jun 13
	\$	\$
Interest earned on Solicitors Trust Accounts	2,502,001	2,152,133
Interest earned on investments	692,343	886,393
Other income	87,162	90,071
Total income	3,281,506	3,128,597

Interest on solicitor's trust money has increased from the previous year due to settlements received from financial institutions on unremitted interest.

Interest from investments has decreased due to lower term deposit rates in the current period.

Major expense items were:

	30 Jun 14	30 Jun 13
	\$	\$
Administration, legal & consulting fees	212,374	229,303
Trust Account Inspectors costs	636,556	655,515
Claims, supervising solicitors & associated legal fees	213,810	317,450
Other	63,022	57,229
Total expenses	1,125,762	1,259,497

Total expenses decreased by \$133,735 (10.6%). The major variation is the decrease in claims, supervising solicitors and associated legal fees of \$103,639. There are less claims paid or approved for payment in the financial year to 30 June 2014. Administration, legal and consulting fees and Trust Account Inspectors costs decreased by \$16,929 and \$18,959 respectively and other expenses were slightly higher.

There are approximately \$6.1 million in unresolved claims under consideration.

Solicitors Guarantee Fund

The maximum balance of the Solicitors Guarantee Fund was set by the Attorney General at \$19,100,000 in June 2008. Any future increases will be at the discretion of the Attorney General in consultation with the Law Society of Western Australia.

Key performance indicators

The key performance indicators for the Trust are detailed in page 25 of the financial report.

Significant Issues Impacting the Agency

Current and emerging issues and trends

The Solicitors Guarantee Fund was established to compensate clients of solicitors who suffer pecuniary loss through the professional defalcation of their trust money. Any significant settlements will impact the surplus available for distribution to Legal Aid and other potential distributions in the furtherance of community legal centres, law reform, legal research and legal education.

The Trust's major source of income is a 51% share of the total interest paid by financial institutions on solicitor's general trust accounts. The Trust also earns approximately 20-30% of its income from the investment of funds held in the Solicitors Guarantee Fund. This source of income has been affected by declining interest rates on deposits.

Changes in written law

There were no changes in any written law that affected the Authority during the financial year.