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MINISTER'S OFFICE

Legal Contribution Trust

Annual Report
30 June 2019

Overview

Executive Summary

Performance Highlight

- In this financial year, operating surplus of \$1,295,077 from the Legal Contribution Trust was applied to the Solicitors Guarantee Fund.

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 Chairman of the Legal Contribution Trust is appointed as the Accountable Officer for the Trust. The Accountant from the Law Society of Western Australia acts as the Chief Finance Officer.

Enabling Legislation

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

Responsible Minister

The Hon. John Quigley, MLA, Attorney General

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.

Trustees

The trustees holding office during the year under review were:

Mr M Ferguson (Chairman)
(appointed by the Law Society of Western Australia)

Ms V Butler
(appointed by the Legal Practice Board)

Ms C Ferrari
(appointed by the Attorney General)

Administered Legislation

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

Major expense items were:

Expenses		
Administration expenses	151,243	154,715
Audit fees - Auditor General	53,598	52,900
Legal fees	83,246	159,312
Supervising solicitors	253,322	228,083
Claims	-	110,936
Trust account inspector service	760,126	690,494
Total expenses	<u>1,301,535</u>	<u>1,396,440</u>

Lower total expenses in the 2018-19 financial year were due to no claim settlement payments in the period.

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 Legal Contribution Trust are contained in the financial statements.

Significant Issues Impacting the Agency

Current and emerging issues and trends

The Solicitors Guarantee Fund had made a number of claims payouts in the last few years which reduced its maximum balance below the \$19.1 million. As a result, there had been no surplus available for distribution to public purposes.

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

Changes in written law

There were no changes in any written law that affected the Legal Contribution Trust in this financial year.

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As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trust.
- Conclude on the appropriateness of the Trust's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Trust regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on Controls

Opinion

I have undertaken a reasonable assurance engagement on the design and implementation of controls exercised by the Legal Contribution Trust. The controls exercised by the Trust are those policies and procedures established by the Trust to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions (the overall control objectives).

My opinion has been formed on the basis of the matters outlined in this report.

In my opinion, in all material respects, the controls exercised by the Legal Contribution Trust are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities have been in accordance with legislative provisions during the six months ended 30 June 2019.

The Trust's Responsibilities

The Trust is responsible for designing, implementing and maintaining controls to ensure that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities are in accordance with the *Financial Management Act 2006*, the Treasurer's Instructions and other relevant written law.

I conducted my engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued by the Australian Auditing and Assurance Standards Board. That standard requires that I comply with relevant ethical requirements relating to assurance engagements.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the key performance indicators. It also involves evaluating the relevance and appropriateness of the key performance indicators against the criteria and guidance in Treasurer's Instruction 904 for measuring the extent of outcome achievement and the efficiency of service delivery. The procedures selected depend on my judgement, including the assessment of the risks of material misstatement of the key performance indicators. In making these risk assessments I obtain an understanding of internal control relevant to the engagement in order to design procedures that are appropriate in the circumstances.

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

My Independence and Quality Control Relating to the Reports on Controls and Key Performance Indicators

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Matters Relating to the Electronic Publication of the Audited Financial Statements and Key Performance Indicators

This auditor's report relates to the financial statements and key performance indicators of the Legal Contribution Trust for the six months ended 30 June 2019 included on the Trust's website. The Trust's management is responsible for the integrity of the Trust's website. This audit does not provide assurance on the integrity of the Trust's website. The auditor's report refers only to the financial statements and key performance indicators described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements or key performance indicators. If users of the financial statements and key performance indicators are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements and key performance indicators to confirm the information contained in this website version of the financial statements and key performance indicators.



DON CUNNINGHAME
ASSISTANT AUDITOR GENERAL FINANCIAL AUDIT
Delegate of the Auditor General for Western Australia
Perth, Western Australia
5 September 2019

Legal Contribution Trust Statement of Comprehensive Income

For the six months ended 30 June 2019

	For the Six Months Ended 30 Jun 19 \$	For the Six Months Ended 31 Dec 18 \$
Income		
Levies on solicitors' trust accounts	1,205,224	1,136,035
Interest on investments	139,737	157,161
Contributions by legal practitioners	32,340	2,360
Total income	<u>1,377,301</u>	<u>1,295,556</u>
Expenses		
Administration expenses	76,843	74,400
Audit fees - Auditor General	26,898	26,700
Legal fees	23,594	59,652
Supervising solicitors	41,869	211,453
Trust account inspector service	334,923	425,203
Total expenses	<u>504,127</u>	<u>797,408</u>
Surplus for the period	<u>873,174</u>	<u>498,148</u>
Total comprehensive income for the period	<u>873,174</u>	<u>498,148</u>

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Legal Contribution Trust Statement of Changes in Equity

For the six months ended 30 June 2019

	<u>Notes</u>	Accumulated surplus \$	Total equity \$
Balance at 30 June 2018		<u>14,562,417</u>	<u>14,562,417</u>
Surplus for the period		498,148	498,148
Other Comprehensive Income		-	-
Total comprehensive income for the period		<u>498,148</u>	<u>498,148</u>
Balance at 31 December 2018		<u>15,060,565</u>	<u>15,060,565</u>
Surplus for the period		873,174	873,174
Other Comprehensive Income		-	-
Total comprehensive income for the period		<u>873,174</u>	<u>873,174</u>
Balance at 30 June 2019		<u>15,933,739</u>	<u>15,933,739</u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Legal Contribution Trust

Notes to the Financial Statements

For the six months ended 30 June 2019

1. Basis of preparation

The Legal Contribution Trust (the "Trust") is a body established under the *Legal Profession Act 2008*. The Legal Contribution Trust is a not-for-profit entity (as profit is not its principal objective).

These financial statements were authorised for issue by the Accountable Authority of the Legal Contribution Trust on 4 September 2019.

Statement of compliance

These general purpose financial statements are prepared in accordance with:

- 1) The Financial Management Act 2006 (FMA)
- 2) The Treasurer's Instructions (the instructions or TI)
- 3) Australian Accounting Standards (AAS) including applicable interpretations
- 4) Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied

The Financial Management Act 2006 and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect are disclosed in the notes to the financial statements.

Basis of preparation

The financial statements are presented in Australian dollars apply the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note.

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Income

Income is recognised and measured at the fair value received or receivable. The main sources of income for the entity is interest income on investments held and amounts levied on solicitors trust accounts under the *Legal Contribution Trust Act 1967*. This income is a set percentage of the interest the solicitors trust accounts earn in the period.

Financial instruments

Financial assets and financial liabilities are recognised when the Legal Contribution Trust becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial

Legal Contribution Trust
Notes to the Financial Statements (continued)
For the six months ended 30 June 2019

2.2 Payables

	30 Jun 19	31 Dec 18
	\$	\$
<u>Current</u>		
Trade payables	196,097	115,857
Accrued expenses	26,700	26,700
Total Payables	222,797	142,557

Payables are recognised at the amounts payable when the entity becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

2.3 Provisions

Provisions are liabilities of uncertain timing or amount and are recognised where there is a present legal or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period.

The accounting estimate has been made on the basis of mitigating the expenses incurred in respect of future costs associated with rental, review, storage and destruction of archived practice files. These costs are still outstanding and are expected to be settled in future reporting periods.

	30 Jun 19	31 Dec 18
	\$	\$
Provision for future external intervention costs	187,256	187,256
Total Provisions	187,256	187,256

3. Financing

This section sets out the material balances and disclosures associated with the cash flows of the Legal Contribution Trust.

	Notes
Cash and cash equivalents	3.1
Reconciliation of cash	3.1.1
Reconciliation of net surplus for the period to net cash flows from operating activities	3.1.2
Commitments	3.2

Legal Contribution Trust

Notes to the Financial Statements (continued)

For the six months ended 30 June 2019

4. Risks and Contingencies

This note sets out the key risk management policies and measurement techniques of the Legal Contribution Trust.

	<u>Notes</u>
Financial risk management	4.1
Contingent assets and liabilities	4.2
Contingent assets	4.2.1
Contingent liabilities	4.2.2

4.1 Financial risk management

Financial instruments held by the Legal Contribution Trust are financial assets at amortised cost and financial liabilities at amortised cost. The Trust has limited exposure to financial risks. The entity's overall risk management program focuses on managing the risks identified below.

(a) Summary of risks and risk management

Credit risk

Credit risk arises when there is the possibility of the Legal Contribution Trust's receivables defaulting on their contractual obligations resulting in financial loss to the Trust.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any allowance for impairment as shown in the table at Note 4.1(c) 'Ageing analysis of financial assets' and Note 2.1 'Receivables'.

Credit risk associated with the Trust's financial assets is minimal because the main receivable consists of interest on investments and statutory income (levies) relating to solicitor trust accounts. In addition, receivable balances are monitored on an ongoing basis with the result that the Trust's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Legal Contribution Trust is unable to meet its financial obligations as they fall due.

The Trust is exposed to liquidity risk through its trading in the normal course of business.

The Trust has appropriate procedures to manage cash flows by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Legal Contribution Trust's income or the value of its holdings of financial instruments. The Trust does not trade in foreign currency and is not materially exposed to other price risks.

Other than as detailed in the interest rate sensitivity analysis table at Note 4.1(e), the Trust's exposure to market risk for changes in interest rates relates primarily to cash investments in term deposits. The Trust has no borrowings.

Legal Contribution Trust
Notes to the Financial Statements (continued)

For the six months ended 30 June 2019

(c) Credit risk exposure

The following table details the credit risk exposure on the Trust's financial assets using a provision matrix.

	Total \$	Current \$	Days past due			
			<30 days \$	31-60 days \$	61-90 days \$	>91 days \$
30 Jun 19						
Expected credit loss rate		0.00%	0.00%	0.00%	0.00%	0.00%
Cash and cash equivalents	16,081,627	16,081,627	-	-	-	-
Financial assets at amortised cost ^(a)	32,123	32,123	-	-	-	-
	<u>16,113,750</u>	<u>16,113,750</u>	-	-	-	-
Expected credit losses ^(b)		-	-	-	-	-
31 Dec 18						
Expected credit loss rate		0.00%	0.00%	0.00%	0.00%	0.00%
Cash and cash equivalents	14,973,311	14,973,311	-	-	-	-
Financial assets at amortised cost ^(a)	142,132	142,132	-	-	-	-
	<u>15,115,443</u>	<u>15,115,443</u>	-	-	-	-
Expected credit losses ^(b)		-	-	-	-	-

(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

(b) The entity does not expect to have any credit losses as the assets are cash and the main source of income is statutory levies on solicitor trust accounts.

Legal Contribution Trust
Notes to the Financial Statements (continued)

For the six months ended 30 June 2019

(e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Legal Contribution Trust's financial assets and liabilities at the reporting date on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$	-100 basis points Surplus \$	Equity \$	+100 basis points Surplus \$	Equity \$
30 Jun 19					
<u>Financial Assets</u>					
Cash and cash equivalents	16,081,627	(160,816)	(160,816)	160,816	160,816
Total Increase/(Decrease)		(160,816)	(160,816)	160,816	160,816
	Carrying amount \$	-100 basis points Surplus \$	Equity \$	+100 basis points Surplus \$	Equity \$
31 Dec 18					
<u>Financial Assets</u>					
Cash and cash equivalents	14,973,311	(149,733)	(149,733)	149,733	149,733
Total Increase/(Decrease)		(149,733)	(149,733)	149,733	149,733

Legal Contribution Trust

Notes to the Financial Statements (continued)

For the six months ended 30 June 2019

5.1 Initial application of Australian Accounting Standards

The entity cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 'Application of Australian Accounting Standards and Other Pronouncements' or by an exemption from TI 1101. The entity has applied the following Australian Accounting Standards for the first time from their application date of 1 January 2019.

AASB 15 Revenue from Contracts with Customers
(refer section below)

AASB 16 Leases
This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Legal Contribution Trust is unaffected by this change as it has no lease arrangements in place.

AASB 1058 Income of Not-for-Profit Entities
(refer section below)

AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events.

There is no financial impact.

Impact of application of AASB 15 *Revenue from Contracts with Customers*

In the current year, the Trust has applied AASB 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2019.

AASB 15 introduced a 5 step approach to revenue recognition. Far more prescriptive guidance has been added in AASB 15 to deal with specific scenarios. The Trust has applied AASB 15 in accordance with the fully retrospective transitional approach.

The application of AASB 15 has not had a significant impact on the financial position and/or financial performance of the Trust. The Trust's income is derived principally from statutory sources which is measured under AASB 1058 and is unaffected by this change. The amount of adjustment is nil for each financial statement line item.

Impact of application of AASB 1058 *Income of Not-for-Profit Entities*

In the current year, the Trust has applied AASB 1058 *Income of Not-for-Profit Entities* which is effective for an annual period that begins on or after 1 January 2019.

Legal Contribution Trust

Notes to the Financial Statements (continued)

For the six months ended 30 June 2019

5.3 Key Management Personnel

The key management personnel of the Legal Contribution Trust are the Trustees. No remuneration is paid to the Trustees. There were no transactions with the Trustees in the period or balances outstanding at period end.

5.4 Related parties transactions

Administration fees amounting to \$35,738 (31 December 2018: \$71,476) were paid to the Law Society of Western Australia during the period on normal commercial terms and condition.

As at 30 June 2019, the Legal Contribution Trust owed monies to the Law Society of Western Australia \$35,738 (31 December 2018: \$Nil).

5.5 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the six months ended 30 June 2019 is as follows:

	30 Jun 19	31 Dec 18
	\$	\$
Auditing the accounts, financial statements, controls, and key performance indicators	26,898	26,700

5.6 Events occurring after the end of the reporting period

There are no events subsequent to the end of the reporting period that has significantly affected, or may significantly affect the operations of the Legal Contribution Trust, the results of those operations or the state of affairs of the Legal Contribution Trust in future financial periods.

5.7 Supplementary financial information

(a) Solicitors Guarantee Fund – supplementary statement

The Solicitors Guarantee Fund is created under Part 12 of the *Legal Profession Act 2008* (the Act). The value of the Solicitors Guarantee Fund forms part of the assets and liabilities of the Legal Contribution Trust and are disclosed in the statement of financial position, statement of comprehensive income and the accompanying notes.

Pursuant to Section 399 (1) (c) of the Act, the Legal Contribution Trust controls and administers the Solicitors Guarantee Fund. It is from the Solicitors Guarantee Fund that claims are settled and costs incurred in administering claims are paid.

The maximum value of the Solicitors Guarantee Fund is set by the Attorney General pursuant to Section 388 of the Act. The maximum value of the Solicitors Guarantee Fund has been set by the Attorney General at \$19,100,000.

Income earned by the Legal Contribution Trust is retained as part of the Solicitors Guarantee Fund until it reaches its maximum balance. Income in excess of the maximum balance is appropriated to external beneficiaries pursuant to Section 388 of the Act.

Legal Contribution Trust
Notes to the Financial Statements (continued)
For the six months ended 30 June 2019

(b) Solicitors Guarantee Fund – Statement of Financial Position

	30 Jun 19	31 Dec 18
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	14,820,935	13,749,608
Receivables	34,423	186,498
Legal Contribution Trust appropriation receivable	1,295,059	1,317,113
Total current assets	<u>16,150,417</u>	<u>15,253,219</u>
Total assets	<u>16,150,417</u>	<u>15,253,219</u>
Liabilities		
Current liabilities		
Payables	29,422	5,398
Provision	187,256	187,256
Total current liabilities	<u>216,678</u>	<u>192,654</u>
Total liabilities	<u>216,678</u>	<u>192,654</u>
Net assets	<u>15,933,739</u>	<u>15,060,565</u>
Equity		
Accumulated surplus	15,933,739	15,060,565
Total equity	<u>15,933,739</u>	<u>15,060,565</u>

Legal Contribution Trust
Notes to the Financial Statements (continued)
For the six months ended 30 June 2019

5.8 Explanatory Statement

Comparison of actual results with those of the preceding six months.

Variations between actual results and those of the preceding period greater than 5% and \$43,659 are considered significant.

	Notes	For the Six Months Ended 30 Jun 19 \$	For the Six Months Ended 31 Dec 18 \$	Variance between actual results for 30 Jun 19 and 31 Dec 18 \$
Income				
Interest earned on solicitors' trust accounts	(a)	1,205,224	1,136,035	69,189
Interest on investments		139,737	157,161	(17,424)
Contributions by legal practitioners		32,340	2,360	29,980
Total income		1,377,300	1,295,556	81,744
Expenses				
Administration expenses		76,843	74,400	2,443
Audit fees - Office of the Auditor General		26,898	26,700	198
Legal fees		23,594	59,652	(36,058)
Supervising solicitors	(b)	41,869	211,453	(169,584)
Trust account inspector service	(c)	334,923	425,203	(90,280)
Total expenses		504,127	797,408	(293,281)
Surplus for the period		873,174	498,148	375,026
Total comprehensive income for the period		873,174	498,148	375,026

- a) Interest earned on solicitors' trust accounts increased due to increase in average monthly balance in solicitors' trust accounts.
- b) Supervising solicitor fees have decreased due to lower number of claims being investigated compared to the previous period.
- c) Trust account inspector services were lower compared to the prior period six months ending 31 December 2018 due to costs associated with the turnover of personnel in the six months ending 31 December 2018.

Legal Contribution Trust

Key Performance Indicators

The target outcome of the Legal Contribution Trust (LCT) is the application to public purposes of moneys resulting from its operating surplus.

The *Legal Profession Act 2008* directs that the operating surplus 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 surpluses, 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 Law 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.

Indicators

Effectiveness

The impact of the LCT allocation on the size of the Solicitors Guarantee Fund (SGF).

Six Months Ended	LCT surplus retained in SGF or Distributed to Beneficiaries \$	Percentage of operating surplus appropriated to the SGF	Total SGF Funds \$
31 Dec 17	390,635	100%	14,230,730
30 Jun 18	375,202	100%	14,562,417
31 Dec 18	551,294	100%	15,060,565
30 Jun 19	743,783	100%	15,933,739

Efficiency

The following table shows the percentage of gross income of the Legal Contribution Trust retained or appropriated to the beneficiaries named in the *Legal Profession Act 2008* as the designated beneficiaries.

The greater the percentage of gross income available for retention or appropriation the greater the efficiency.

Six Months Ended	Gross income \$	Expenses \$	Operating Surplus \$	Percentage of Gross Revenue Available for Retention or Appropriation to Nominated Beneficiaries \$
31-Dec-17	1,083,860	621,396	462,464	43%
30-Jun-18	1,106,731	775,044	331,687	30%
31-Dec-18	1,295,556	797,408	498,148	38%
30-Jun-19	1,377,301	504,127	873,174	63%

For the six months ended 30 June 2019, the significant increase in operating surplus as a percentage on gross revenue is mainly driven by the reduced expenditure in the period, as explained previously in note 5.8.