

Annual Report **2011**



Legal Services **BOARD**

Legal Services BOARD

2 September 2011

Dear Attorney-General

I am pleased to provide you with a copy of the Legal Services Board's Annual Report for 2010-11. This report provides an overview of our operations for the 2010-11 reporting year. It has been prepared in accordance with the *Financial Management Act 1994*.

Yours sincerely



Colin Neave, AM
Chairperson

Legal Services Board

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Abbreviations

the Act	the <i>Legal Profession Act 2004</i>
the Bar	the Victorian Bar
the Board	the Legal Services Board
COAG	Council of Australian Governments
CPD	continuing professional development
the Fidelity Fund	Legal Practitioners' Fidelity Fund
the Grants Program	the Legal Services Board Grants Program
ILP	incorporated legal practice
LIV	the Law Institute of Victoria
LSC	Legal Services Commissioner
PPF	the Public Purpose Fund
the Register	the Register of Legal Practitioners and Law Practices
RODA	the Register of Disciplinary Action
SDA	statutory deposit account
VCAT	Victorian Civil and Administrative Tribunal

About the Legal Services Board

The Legal Services Board (the Board) is an independent statutory authority responsible for the regulation of the legal profession in Victoria. The Board is a body corporate with perpetual succession. It is a public entity, but it does not represent the Crown. The responsible minister is the Attorney-General, The Hon. Robert Clark MP.

The Board was established on 12 December 2005 under the *Legal Profession Act 2004* (the Act). The Board is responsible for a broad range of functions, including:

- issuing, renewing, suspending, imposing conditions upon and cancelling practising certificates
- setting professional indemnity insurance requirements
- maintaining the Register of Legal Practitioners and Law Practices (the Register), and the Register of Disciplinary Action (the RODA)
- administering funds set out under the Act
- monitoring, inspecting and investigating legal practitioners' trust accounts
- investigating and determining claims against the Legal Practitioners' Fidelity Fund (the Fidelity Fund)
- appointing law practice supervisors and managers and applying to the Supreme Court for the appointment of receivers and/or conducting external interventions of law practices
- making and approving legal profession rules
- prosecuting breaches of the Act
- managing and determining a range of exemptions from requirements under the Act
- conducting applications for the removal of legal practitioners' names from the Supreme Court roll, and
- making grants to enhance the legal system, legal services and legal education.

Through its role as the peak regulator of the legal profession in Victoria, the Board aims to promote high professional standards among legal practitioners by working with the Legal Services Commissioner (LSC), the Law Institute of Victoria (LIV) and the Victorian Bar (the Bar) to achieve these standards.

Statutory objectives

The Board's statutory objectives as stated in section 6.2.3 of the Act are to:

- ensure the effective regulation of the legal profession and the maintenance of professional standards
- address the concerns of clients of law practices and legal practitioners through the regulatory system and provide for the protection of consumers of legal services
- ensure the adequate management of trust accounts, and
- ensure that the Victorian system is at the forefront of regulation of legal practitioners.

Values

- **Impartiality:** Making decisions objectively
- **Integrity:** Earning and sustaining public trust
- **Accountability:** Taking responsibility for results
- **Responsive service:** Demonstrating a spirit of service
- **Human Rights:** Providing a fair go for everyone

Chairperson's report

I am pleased to present the 2010-11 Annual Report of the Legal Services Board.



This year we anticipated an announcement regarding the commencement date and final details of the National Legal Profession Reform Project. This project, which was initiated by the Commonwealth Government, seeks to establish a national model for the regulation of lawyers in Australia. It seems likely that the Victorian Board will cease to exist under the national model. Although we enjoy performing a role in legal regulation in Victoria, the Board supports the principles of the proposed national model and believes that legal practitioners and consumers of legal services will benefit greatly from the national framework. The Board is committed to ensuring that the Victorian legal profession makes a smooth transition from the current model to the new one. However, until a decision regarding the national model is made, the Board will continue to apply a 'business as usual' approach to its operations.

We had a busy year carrying out our regulatory functions. This year, the Board made five applications to the Supreme Court for the removal of practitioners from the roll of legal practitioners maintained by the Court. All of the applications were successful. Applying to have a legal practitioner removed from the roll is one of the most serious actions that can be taken by the regulator. These decisions are not made lightly. In considering whether to make a strike-off application, we take into account a number of factors. The

fundamental concern is of course the level of risk that the practitioner poses to the community and the legal profession as a whole.

Taking action against individuals for unqualified legal practice matters is another important function performed by the Board as part of its consumer protection role. This year, the LIV made an application to VCAT for disqualification orders against an individual who appeared before a court while claiming to be a lawyer when he was not. VCAT subsequently made disqualification orders against the individual. The LIV took this action as delegate of the Board.

It was pleasing to see the launch of LSB Online in March this year. This system enables legal practitioners to renew their practising certificates online. LSB Online provides practitioners with a faster and more convenient option for managing their practising certificates. We aim to make other registration forms available through this online system in 2011-12.

The Board is continually identifying ways to reduce the regulatory burden for legal practitioners. This year, we worked with the Attorney-General to amend a provision in the Act that required legal practitioners to complete a statutory declaration with their application and renewal forms, confirming that the information on their forms was true and correct. The Board felt this process was onerous for legal practitioners and therefore made submissions to the Government to have this removed from the Act. The amendment was approved in March 2011. Now, legal practitioners are only required to attest to the accuracy of their application and renewal forms. This amendment brings the Victorian legislation into line with the other jurisdictions in Australia.

The Board was pleased to provide \$500,000 in funding to 12 projects through the Project Grants stream of our Grants Program. This year, we set a priority theme for the

Major Grants round. The theme was the prevention of violence against women, which was well received by the legal profession and community groups. The Board is pleased to be able to make a contribution to the Victorian justice system through our grants making role.

The investment environment continued its uncertainty and, like many investors, the Board experienced significant gains throughout the year as well as periods of market losses. The Board continued to maintain a conservative approach to our financial management and investment activities. I am pleased to report that the combined investment and cash returns for 2010-11 were \$73.4 million compared with \$52.8 million in 2009-10. This represents a 39% increase on the previous year.

The National Legal Profession Reform Project was a significant focus for the Board in 2010-11. We held a planning workshop in August 2010 where we discussed the draft legislation and identified several key issues, which formed the basis for our submission to COAG. Our submission conveys our support for the national model.

The new legal practitioner members served their first year on the Board. These members are David Faram, Richard Fleming and Peter Jopling QC. They each bring to the Board a wealth of knowledge and experience in relation to legal profession issues, as well as an interest for legal regulation. They have made a significant contribution in their first year on the Board and have complemented the skills and experience of our other appointed Board members.

I would like to thank the Board and LSC staff for their hard work and contributions during the year. I would also like thank the staff of the LIV and Bar for their very significant contributions to legal regulation in Victoria.

Colin Neave, AM
Chairperson

CEO's report

This was my first full year as Board CEO. It was a busy, yet fulfilling year for me and my staff.



This year, I focused my attention towards improving the services that we provide to lawyers and consumers. In particular, I concentrated on improving the level of assistance provided in situations where a decision may result in a less than favourable outcome for the individual concerned. For example, where the Board disallows an exemption from the supervised legal practice requirements, we need to take extra steps to ensure the lawyer is given adequate information to assist them in understanding the reasons behind our decision and, where appropriate, help them to achieve the outcome sought.

This year, I encouraged my staff to develop positive relationships with the legal profession, our co-regulators and interested organisations. I believe effective regulation can only be achieved through developing good relationships with the people who we regulate and our co-regulators. The same applies to consumers. In a majority of matters that come before me in my role as CEO and Legal Services Commissioner, successful outcomes are achieved once we have established a relationship with the parties. In my experience, taking the time to establish and maintain these relationships can help to produce faster outcomes. I directed my staff to meet personally with lawyers and consumers or call the parties directly to discuss any issues or concerns.

Solid relationships with our co-regulators are critical in legal regulation. I therefore encouraged staff to collaborate closely with staff performing Commissioner functions when dealing with regulatory matters. During the year, my staff met fortnightly with LIV and Bar staff to discuss issues relating to our regulatory functions. These regular meetings led to improved information sharing between the regulators and assisted us in achieving faster, more effective results. Working collaboratively has also enabled us to direct our resources more efficiently, particularly when working on significant matters.

Another area of concern for me was our communication with lawyers and consumers. I urged my staff to adopt plain English in all correspondence and to use email and the telephone where possible for faster communication. I feel that improvements in these areas have been made; however, I believe that more can be done and we will continue focusing on these issues in 2011-12.

We conducted our first audit of an incorporated legal practice (ILP) after issues were identified by LSC staff in several complaints received in relation to a legal practitioner. Through the audit process, we made a number of recommendations to the practitioners in charge of the ILP to improve their management systems and processes.

As our delegate, the LIV audited 500 legal practitioners for compliance with the continuing professional development requirements. In addition, the LIV, again acting as our delegate, inspected 401 trust accounts to identify any concerns or irregularities. I am aware that these activities may seem rather arduous and intrusive to the legal profession, however they are an

essential part of the regulatory environment. These functions enable us to identify any issues that could potentially be addressed through the regulatory system.

A significant achievement this year was the launch of LSB Online. This service was piloted among a number of legal practitioners and legal entities for the 2011-12 renewal period. The feedback received was overall quite positive. This system has also led to enhancements in the processing of practising certificate forms, which in future may lead to a reduction in the costs incurred through the processing of applications.

In August, the Board co-hosted the 2010 Conference of Regulatory Officers (CORO) Conference, together with the LSC and LIV. A total of 64 people attended CORO, which included representatives engaged in legal regulation from each jurisdiction in Australia as well as New Zealand. During the two-day conference, we discussed a range of topics including continuing legal education, suitability matters, the implications for legal regulators in regulating legal outsourcing and of course the National Legal Profession Reform Project. CORO provided us with a valuable opportunity to meet with our interstate counterparts, particularly in light of the National Legal Profession Reform Project.

I would like to commend Board and LSC staff for their outstanding efforts in the 2010-11 reporting year. I would also like to acknowledge the staff of the LIV and Bar for assisting us in performing our regulatory functions. I look forward to another rewarding year in legal regulation in 2011-12.

Michael McGarvie
CEO

The Board

The Board consists of a chairperson, three elected legal practitioner members and three non-legal practitioner members who are members of the community with broad experience or understanding of legal services. The Governor-in-Council, on the recommendation of the Attorney-General, appoints the chairperson and the three non-legal practitioner members.



Mr Colin Neave, AM

Chairperson

Colin has been Chairperson of the Board since December 2005. Colin practised as a solicitor in Melbourne for 20 years between 1967 and 1987. During the last five years of that time, he held the position of Company Secretary of AMI Toyota Ltd, then a listed company.

Between 1987 and 1996, he held senior positions with various governments, including Secretary of the Attorney-General's Department in Victoria, and Commissioner for Consumer Affairs in South Australia. Colin was the Banking and Financial Services Ombudsman from February 1996 until July 2008 when he became Chief Ombudsman of the Financial Ombudsman Service. He has been the Chairman of the Commonwealth Consumer Affairs Advisory Council (and its predecessors) since July 1997. He was appointed President of the Commonwealth Administrative Review Council in May 2010.



Ms Fiona Bennett

Non-legal practitioner member

Fiona is a director of a number of entities including Hills Holdings Limited, Boom Logistics Limited and the Institute of Chartered Accountants in Australia. Fiona is also deputy Chair of Alfred Health.

She is a Chartered Accountant with extensive experience in commercial and financial management, governance, risk management and audit. She has held senior executive positions at BHP Billiton Limited and Coles Group Limited, and has been Chief Financial Officer of several organisations in the health sector. Fiona is a Fellow of the Institute of Chartered Accountants, the Australian Institute of Company Directors and the Australian Institute of Management.



Ms Carolyn Bond

Non-legal practitioner member

Carolyn is the Co-CEO of the Consumer Action Law Centre, a specialist community legal centre that provides legal assistance to consumers and campaigns on consumer issues.

Carolyn has worked on a range of consumer policy issues including credit regulation, debt collection and consumer dispute resolution and has represented the consumer interest on a number of bodies. She is currently a member of the Commonwealth Consumer Affairs Advisory Committee, and the National Legal Assistance Advisory Body.

She was a member of the National Legal Profession Reform Consultative Group.



Mr David Faram

Legal practitioner (non-advocate) member

David is a Shepparton based lawyer with over 30 years' legal experience. He is a partner at Faram Ritchie Davies where he specialises in family law and serious indictable crime.

He previously practised in personal injury law. David held the position of LIV President in 2002 and is also a former member of the LIV Council. He currently represents the LIV on the Council of Legal Education. He is also an independent children's lawyer and LIV accredited mediator.



Mr Richard Fleming

Legal practitioner (non-advocate) member

Richard is a commercial and technology lawyer with approximately 20 years' experience. Formerly a partner of a national law firm, Richard subsequently established his own boutique firm, Benelex.

Richard is Chairman of the LIV Ethics Committee and a former LIV Council member. He is also an active member of the Australian Corporate Lawyers Association.



Ms Melissa Horne

Non-legal practitioner member

Melissa currently is the Corporate Affairs and Government Relations Director for one of Australia's top 300 publicly listed firms, specialising in information and communications technology.

She joined the Board as an Attorney-General's appointee in July 2008. She has a background in media relations and communications management across a broad range of sectors including transport, energy and information technology.



Mr Peter Jopling QC

Legal practitioner (advocate) member

Peter is a Queen's Counsel specialising in commercial law and trade practices law. He was admitted to practice in 1978 and signed the Victorian roll in 1980. Peter served as an Associate to High Court Justices Sir Keith Aickin and Sir Ninian Stephen. He was appointed QC in 1996.

Peter has held positions as director, member and chair for a range of organisations and committees. He is currently a member of the VCAT Legal Practice Panel, member of the Board of Examiners, director of the Melbourne Business School, deputy chair of the Australian Centre for Contemporary Art and a Governor of the Florey Neuroscience Institute.



Mr Michael McGarvie

Chief Executive Officer

Michael was appointed Legal Services Commissioner, and as a result, CEO of the Board in December 2009.

Prior to this, Michael was the CEO of the Supreme Court of Victoria for a period of three years. He practised as a solicitor at Holding Redlich for 23 years, where he specialised in personal injuries, civil litigation and dispute resolution.

Meeting attendance

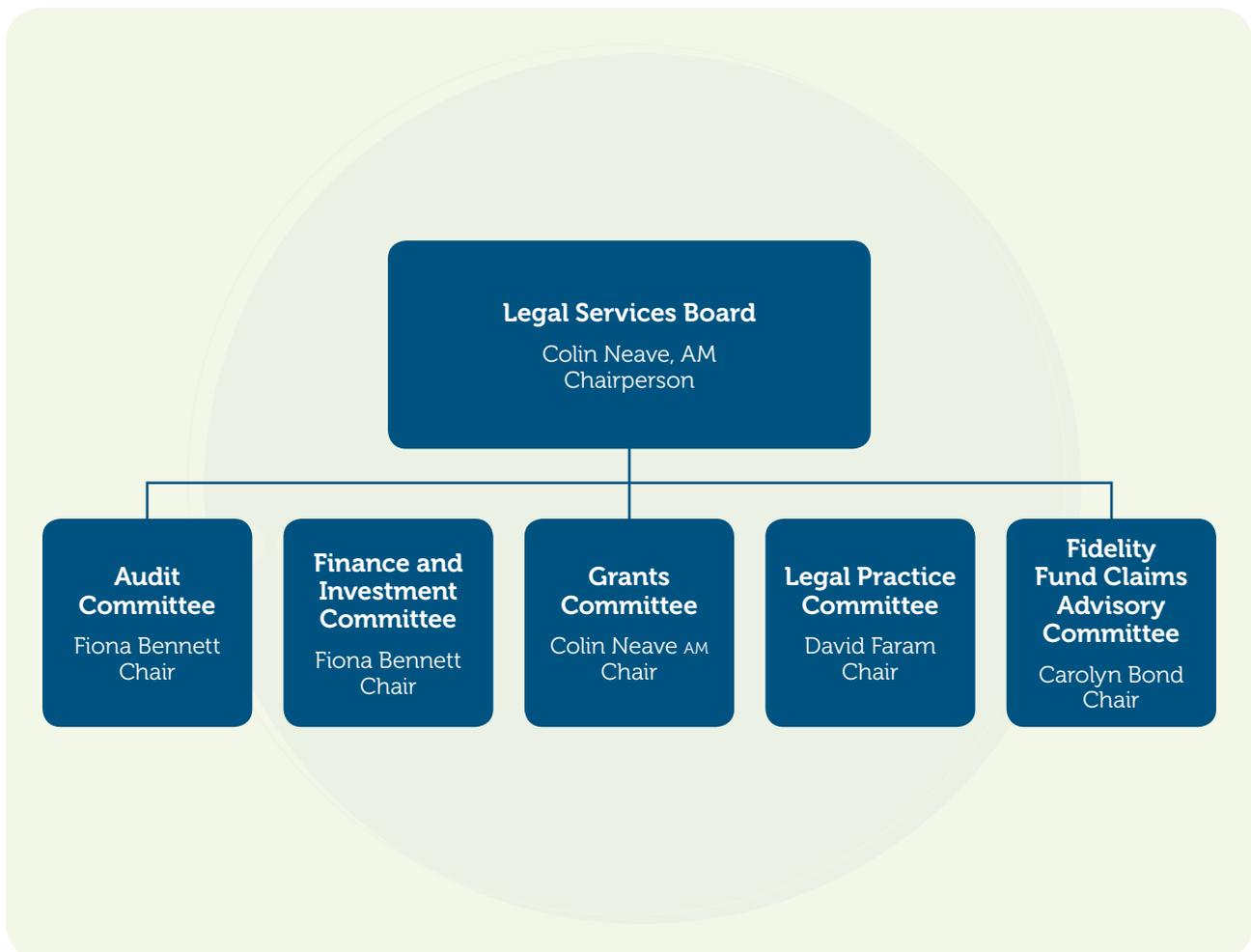
The Board met eight times in the reporting year.

Figure 1: Board member meeting attendance in 2010-11

BOARD MEMBER	NO. OF BOARD MEETINGS ATTENDED
Mr Colin Neave, AM	8
Ms Fiona Bennett	6
Ms Carolyn Bond	6
Mr David Faram	7
Mr Richard Fleming	8
Ms Melissa Horne	6
Mr Peter Jopling QC	5

Board committees

Figure 2: Board committees



Committee membership and functions

Audit Committee

Chair

Ms Fiona Bennett

Members

Ms Melissa Horne
Mr Richard Fleming

The main responsibilities of the Audit Committee are to:

- review the maintenance of the accounting systems and ensure there are effective internal controls
 - review and approve the Board's accounting policies and application of relevant accounting standards and requirements of Government Departments including those set out in the Financial Management Compliance Framework
 - review the findings of the auditors (internal and external) and ensure that management's actions to redress control weaknesses are appropriate
 - review the annual financial statements with the CEO and External Auditors and recommend approval by the Board
 - review major changes in accounting policies and determine the impact of those changes on the presentation of the Board's results
- review the performance of the internal and external auditors
 - recommend to the Board the appointment and remuneration of the auditors (internal and external)
 - prepare a report to the Board on the Audit Committee performance that summarises the activities of the Committee to fully discharge its duties during the year
 - monitor IT strategy, systems implementation and the IT control environment of the Board
 - monitor the actuarial reviews of the Fidelity Fund
 - review and monitor the risk management practices of the Board on a quarterly basis, and
 - review processes for monitoring compliance with law and regulations, the organisation's code of conduct and the financial code of practice.

Finance & Investment Committee

Chair

Ms Fiona Bennett

Members

Ms Carolyn Bond
Mr Richard Fleming
Mr Peter Jopling QC

The main responsibilities of the Finance and Investment Committee are to monitor the financial performance of the Board and the funds under its administration. The Committee provides recommendations to the Board on:

- yearly funding for the Board, the LSC and the Victorian Civil and Administrative Tribunal (VCAT) Legal Practice List
 - funding for the LIV and the Bar for performance of delegated functions
- funding for legal education
 - any amount to be transferred to the Fidelity Fund investment strategy, allocation of assets and the appointment/termination of Investment Managers
 - investments for the Statutory Deposit Account and Fidelity Fund, and
 - the amount to be credited to the Distribution Account.

Grants Committee

Chair

Mr Colin Neave, AM

Members

Ms Carolyn Bond
Ms Melissa Horne
Mr David Faram

The main responsibilities of the Grants Committee are to:

- recommend to the Board the quantum of yearly grants to be made under the Act for law reform, legal education, legal research and other purposes relating to the legal profession and for the Victoria Legal Aid Fund and the Victorian Law Reform Commission, and

- determine the criteria for issuing grants.

Legal Practice Committee

Chair

Mr David Faram

Members

Ms Meagan Keogh
(Victoria Legal Aid representative)

Ms Jenni Smith
(Federation of Community Legal Centres representative)

Mr Kevin J A Lyons
(Victorian Bar representative)

Ms Sue Laver
(Australian Corporate Lawyers Association representative)

Mr Michael Hermitage
(Consumer Action Law Centre representative)

Mr Steven Stevens
(LIV representative)

The functions of the Legal Practice Committee are to:

- consider proposals for significant changes to the legal profession rules and other regulatory matters in relation to the manner of legal practice
- report and make recommendations to the Board on issues relating to legal profession rules and the legal profession
- review and advise on the implementation of legal profession rules in Victoria

- liaise with other jurisdictions and national bodies on developments in the regulation of the legal profession, and
- provide advice to the Grants Committee and the Finance and Investment Committee as required about potential funding for projects or activities relating to legal profession rules and the manner of legal practice.

Fidelity Fund Claims Advisory Committee

Chair

Ms Carolyn Bond

Members

Mr Richard Fleming
Mr Huan Walker (external)
Mr Roger Batrouney (external)

The main function of the Fidelity Fund Claims Advisory Committee is to assist the Board in determining whether claims on the Fidelity Fund should be allowed or disallowed.

Significant achievements and events

The Board **launched its web-based application, LSB Online, which enables legal practitioners to renew their practising certificates online.**

The system was piloted among legal practitioners from 60 law firms and Victorian barristers for the 2011-12 renewal cycle. Approximately 4,000 legal practitioners renewed their practising certificates via LSB Online. **More information on page 27.**

The Board worked with Attorney-General to **amend a provision in the Act that required legal practitioners to complete a statutory declaration with their practising certificates,** confirming that the information on their forms was true and correct. Now, legal practitioners are required to only complete an attestation as part of the application and renewal process. **More information on page 27.**

The Board **conducted its first audit of an Incorporated Legal Practice (ILP).** The Board made a number of recommendations to the practitioners in charge of the ILP around improving their management systems and processes. **More information on page 28.**

The Board **prepared a submission in response to the draft legislation on the National Legal Profession Reform Project.** The submission conveys the Board's support for the national model. **More information on page 36.**

The Board **distributed \$500,000 in funding to 12 projects through the Project Grants stream** of the Grants Program. **More information on page 38.**

The Board's delegate, the LIV, **conducted 401 trust account inspections.** **More information on page 32.**

The Board made **five applications to the Supreme Court of Victoria for the removal of legal practitioners from the local roll.** All five applications were successful. **More information on page 30.**

The legal practitioner Board members **served their first year on the Board.** **David Faram, Richard Fleming and Peter Jopling QC** were elected by the legal profession to **serve on the Board** for three year terms. Additionally, **Michael McGarvie served his first full year** in the position of Board CEO.

The Board **co-hosted the 2010 CORO Conference** in August. A total of 64 people attended CORO, which included representatives from legal regulators in each jurisdiction in Australia as well as from New Zealand. **More information on page 37.**

The legal profession in Victoria

This chapter provides an overview of the number and type of legal practitioners and legal entities registered in Victoria. The data featured in this chapter was derived from the Register of Legal Practitioners and Law Practices (the Register) as at 30 June 2011.

What is the Register?

The Board is responsible for maintaining the Register, which functions as a consumer protection mechanism as it is the central database of information about legal practitioners in Victoria. For example, consumers can search the Register to confirm whether a practitioner holds a practising certificate. Consumers of legal services, legal practitioners and the public in general can inspect the Register at no charge.

How can the Register be accessed?

The Register may be inspected at the Board's offices during business hours. A person may, in most circumstances, obtain an extract from the Register, free of charge. An extract of the Register can also be viewed via the Board's website at www.lsb.vic.gov.au.

What information does the Register contain?

The Register contains details of all local legal practitioners, locally-registered foreign lawyers, sole practitioners, law firms, multi-disciplinary partnerships, incorporated legal practices and community legal centres. The register is updated as practitioner and law practice details change.

The Register includes the following information about local legal practitioners:

- name
- date of birth
- date of admission to the legal profession
- address for service
- conditions imposed on the practitioner's practising certificate (including the type of practice authorised)

- whether the practitioner engages in legal practice solely as a barrister; the name of a law practice where the practitioner is employed (if they are an employee of a law practice), and
- any business names the practitioner trades under (if they are a sole practitioner).

The Register includes the following information about law practices:

- name
- address for service
- business names
- the type of entity, and
- names of partners/directors.

Glossary

Below are the definitions of words and terms featured in this chapter.

Australian-registered foreign lawyer

is a person authorised to practice foreign law within the jurisdiction of this Act, namely Victoria.

Community Legal Centre (CLC)

is an organisation that provides free legal services to members of the community who generally do not have financial means to obtain privately funded legal services.

Corporate means a practitioner who provides legal services to an employer or agency that is not a legal entity or law practice.

Foreign law practice means a partnership or corporate entity that is entitled to engage in legal practice in a foreign country.

Government employer is a government body or agency that employs Australian legal practitioners.

Incorporated Legal Practice (ILP)

is a corporation that engages in legal practice, whether or not it also provides services other than legal services.

Law firm is a partnership consisting of Australian legal practitioners, or one or more ILPs.

Law practice means an Australian legal practitioner who is a sole practitioner, a law firm, a multi-disciplinary partnership (MDP), an ILP or a CLC.

Legal director is an Australian legal practitioner who engages in legal practice as the principal to govern the affairs of a corporation, for example an ILP.

Legal partner is an Australian legal practitioner associated with another or others as a principal or a contributor of capital in business or a joint venture, usually sharing its risks and profits.

Legal practitioner employee – corporate is an Australian legal practitioner employed to work in a non-legal entity to provide legal services to that organisation only.

Legal practitioner employee is an Australian legal practitioner employed by a law practice for the provision of legal services.

Multi-disciplinary partnership (MDP) is a partnership between one or more Australian legal practitioners and persons who are not Australian legal practitioners, where the business partnership includes the provision of legal services and other services.

Non-legal employer is an agency that is not a registered legal entity and employs legal practitioners for the provision of legal services.

Principal means an Australian legal practitioner who is either a sole practitioner, legal practitioner partner (either of a law firm or MDP), legal practitioner director of an ILP or supervising legal practitioner of a CLC.

Principal with trust can be either a sole practitioner, a partner in a law firm or MDP, a legal practitioner director in an ILP, or supervising legal practitioner in a CLC who is authorised to receive trust money.

Sole practitioner is an Australian legal practitioner who engages in legal practice for his or her own profit, without being in partnership or incorporated into a company.

Supervising legal practitioner is an Australian legal practitioner who is the principal for the legal services provided by a CLC.

Volunteer at CLC is an Australian legal practitioner who provides legal services in a volunteering capacity at a CLC.

Practitioner statistics

16,727 practitioners registered in Victoria

The number of practitioners in Victoria increased by 4%.

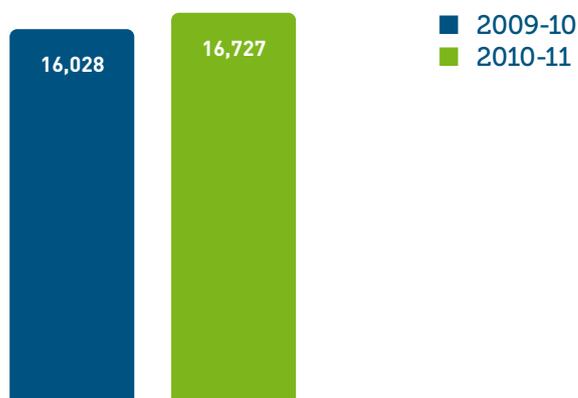


Figure 3: Number of practitioners registered in Victoria

1,263 new practitioners admitted to the legal profession

The number of new practitioners admitted to the Victorian legal profession increased by 6%.

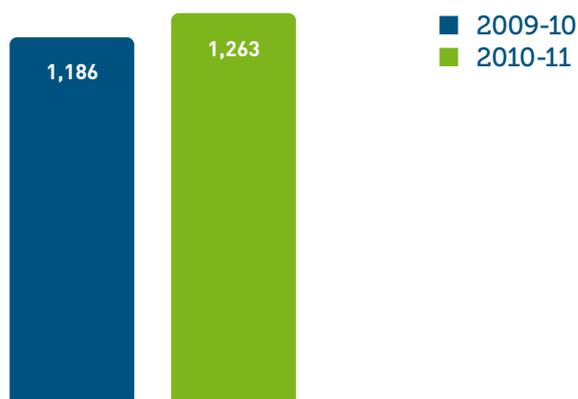


Figure 4: New practitioners admitted to the legal profession

1,070 non-renewals of practising certificates

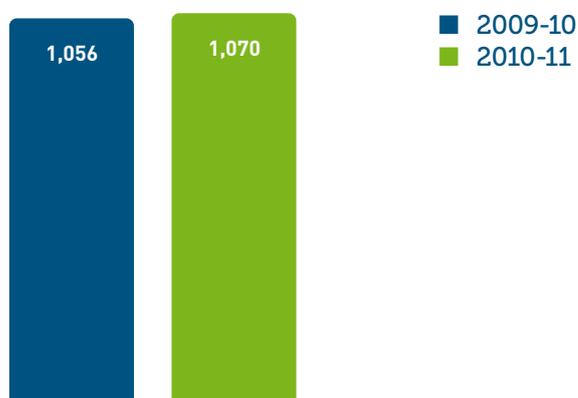


Figure 5: Non-renewal of practising certificates

Practitioners by age and gender

As at 30 June 2011, 56% of the legal profession were male and 44% were female. The number of female practitioners increased by 6%, while the number of male practitioners increased by 3%.

Consistent with previous years, the number of female practitioners outnumbered male practitioners in the 20-30 and 31-40 year age categories. The number of male practitioners in the 51-60 year age category outnumbered female practitioners by 66%.

Figure 6: Practitioners by age and gender

GENDER	AGE IN YEARS						TOTAL
	20-30	31-40	41-50	51-60	61-70	70+	
Male							
2009-10	1,331	2,157	1,973	2,227	1,213	252	9,153
2010-11	1,369	2,221	1,973	2,229	1,319	278	9,389
Female							
2009-10	2,144	2,565	1,284	669	188	25	6,875
2010-11	2,282	2,728	1,353	752	196	27	7,338
TOTAL							
2009-10	3,475	4,722	3,257	2,896	1,401	277	16,028
2010-11	3,651	4,949	3,326	2,981	1,515	305	16,727

Practitioner type and gender

As at 30 June 2011, 89% of the profession were solicitors and the rest were barristers.

The number of solicitors increased by 5%, while the number of barristers increased only slightly.

Figure 7: Practitioner type and gender

GENDER	PRACTITIONER TYPE					
	SOLICITORS		BARRISTERS		TOTAL	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
Male	7,749	7,968	1,404	1,421	9,153	9,389
Female	6,440	6,863	435	475	6,875	7,338
TOTAL	14,189	14,831	1,839	1,896	16,028	16,727

Location of practitioners

As at 30 June 2011, approximately 60% of legal practitioners practised in the city, 30% practised in the suburbs and 7% practised in the country. The number of country based practitioners increased by 4%.

Figure 8: Location of practitioners

TYPE						
LOCATION	SOLICITORS		BARRISTERS		TOTAL	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
City	7,782	8,140	1,794	1,843	9,576	9,983
Suburb	4,737	4,964	32	39	4,769	5,003
Country	1,141	1,191	8	9	1,149	1,200
Overseas	348	348	2	2	350	350
Interstate	181	188	3	3	184	191
TOTAL	14,189	14,831	1,839	1,896	16,028	16,727

Practitioners by admission origin and gender

The majority of practitioners registered in Victoria as at 30 June 2011 were admitted in Victoria. Only 5% were admitted interstate.

Figure 9: Practitioners by admission origin and gender

GENDER	VICTORIAN		INTERSTATE		FOREIGN		TOTAL	
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
Male	8,629	8,979	283	410	5	17	8,917	9,406
Female	6,095	6,820	357	518	2	6	6,454	7,344
TOTAL	14,724	15,799	640	928	7	23	15,371	16,750

Practitioners by position type

The total number of legal practitioner positions is greater than the total number of practitioners because practitioners can maintain positions with more than one entity. For example, a practitioner may occupy a position as an employee of a law firm while maintaining a volunteer position with a community legal centre at the same time.

As shown in Figure 10, the number of practitioners by position type is fairly consistent with the figures from the previous year. Legal practitioner employee positions made up approximately 35% of positions in Victoria, while sole practitioner positions comprised 27% of the total number of positions.

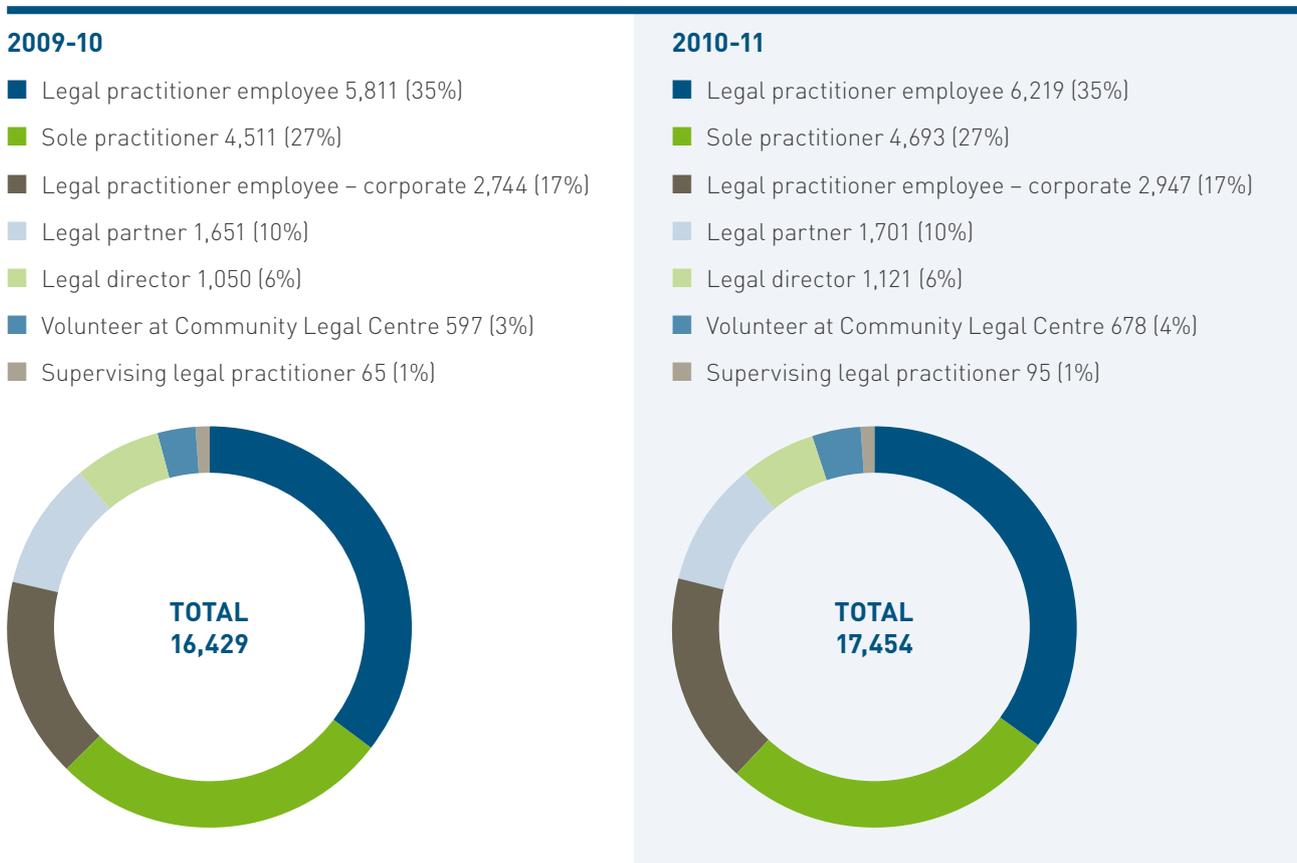


Figure 10: Practitioners by position type

Practitioners by practising certificate type and age

Figure 11 shows the number of practitioners by practising certificate type and age. The figures are consistent with the previous year; however, the number of practitioners with a principal practising certificate increased by 6%, while the number of practitioners with a corporate practising certificate increased by 5%.

Figure 11: Practitioners by practising certificate type and age

	AGE IN YEARS						TOTAL
	20-30	31-40	41-50	51-60	61-70	70+	
Employee							
2009-10	2,784	1,954	680	391	252	58	6,119
2010-11	2,932	2,103	648	414	252	70	6,419
Principal with trust							
2009-10	24	520	989	1,253	560	89	3,435
2010-11	23	504	953	1,266	626	91	3,463
Principal							
2009-10	180	915	906	955	529	123	3,608
2010-11	206	948	989	983	583	140	3,849
Corporate							
2009-10	409	1,275	642	281	45	5	2,657
2010-11	425	1,329	697	293	44	3	2,791
Volunteer							
2009-10	78	58	40	22	10	1	209
2010-11	65	65	39	25	10	1	205
TOTAL							
2009-10	3,475	4,722	3,257	2,902	1,396	276	16,028
2010-11	3,651	4,949	3,326	2,981	1,515	305	16,727

Male practitioners by practising certificate type and age

Figure 12 shows the number of male practitioners by practising certificate type and age. The figures are consistent with 2009-10. The number of male practitioners with an employee practising certificate in the 31-40 year age bracket increased by 7%.

Figure 12: Male practitioners by practising certificate type and age

	AGE IN YEARS						TOTAL
	20-30	31-40	41-50	51-60	61-70	70+	
Employee							
2009-10	1,039	754	301	224	199	51	2,568
2010-11	1,091	809	273	237	200	62	2,672
Principal with trust authorisation							
2009-10	12	349	756	1,091	501	78	2,787
2010-11	10	338	714	1,087	558	80	2,787
Principal							
2009-10	95	531	619	743	464	116	2,568
2010-11	102	530	649	735	516	133	2,665
Corporate							
2009-10	159	509	283	165	40	5	1,161
2010-11	143	526	322	160	40	3	1,194
Volunteer							
2009-10	26	14	14	10	4	1	69
2010-11	23	18	15	10	5	0	71
TOTAL							
2009-10	1,331	2,157	1,973	2,233	1,208	251	9,153
2010-11	1,369	2,221	1,973	2,229	1,319	278	9,389

Female practitioners by practising certificate type and age

There was a slight increase in the total number of female practitioners holding an employee practising certificate. The number of female practitioners maintaining an employee practising certificate in the 20–30 year age category increased by 5%. The number of female practitioners maintaining a principal practising certificate in the 41–50 year age category increased by 16%.

Figure 13: Female practitioners by practising certificate type and age

	AGE IN YEARS						TOTAL
	20-30	31-40	41-50	51-60	61-70	70+	
Employee							
2009-10	1,745	1,200	379	167	53	7	3,551
2010-11	1,841	1,294	375	177	52	8	3,747
Principal with trust authorisation							
2009-10	12	171	233	162	59	11	648
2010-11	13	166	239	179	68	11	676
Principal							
2009-10	85	384	287	212	65	7	1,040
2010-11	104	418	340	248	67	7	1,184
Corporate							
2009-10	250	766	359	116	5	0	1,496
2010-11	282	803	375	133	4	0	1,597
Volunteer							
2009-10	52	44	26	12	6	0	140
2010-11	42	47	24	15	5	1	134
TOTAL							
2009-10	2,144	2,565	1,284	669	188	25	6,875
2010-11	2,282	2,728	1,353	752	196	27	7,338

Legal entity statistics

6,927 legal entities in Victoria

The number of legal entities in Victoria increased by 3%.

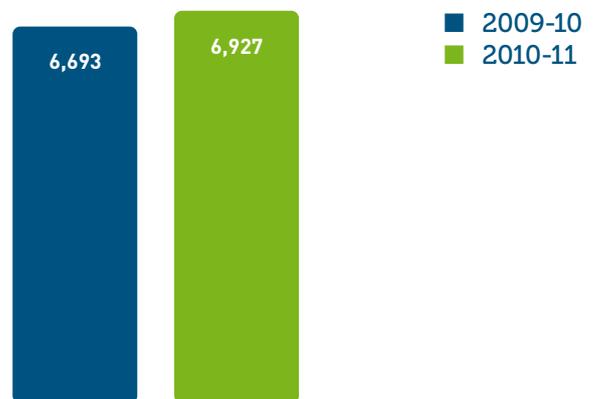


Figure 14: Number of legal entities in Victoria

4,858 sole practitioners in Victoria

The number of sole practitioners in Victoria increased by 3%.

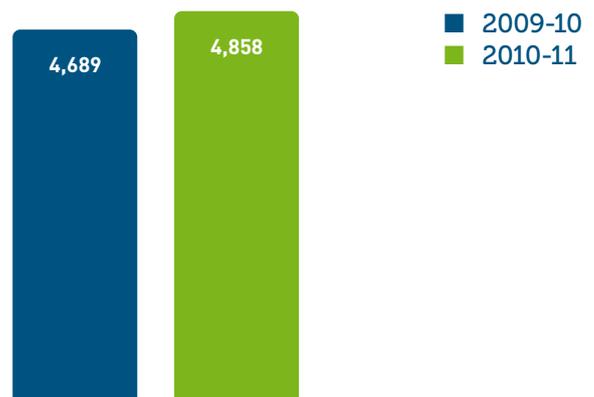


Figure 15: Sole practitioners in Victoria

252 law firms in Victoria

The number of law firms in Victoria decreased slightly.

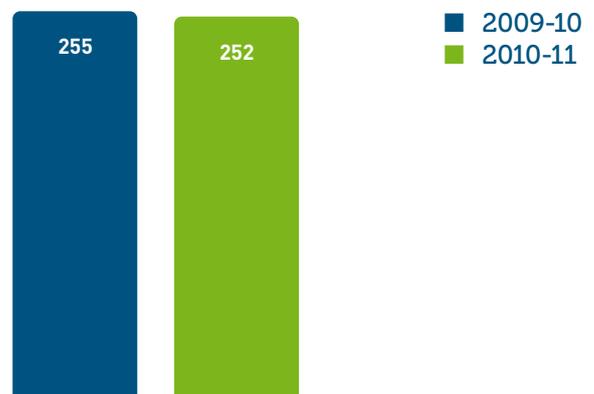


Figure 16: Law firms in Victoria

Number of legal entities in Victoria

The majority of legal entities in Victoria are sole practitioners. Non-legal employers make up approximately 13% of the total number of legal entities, while approximately 11% are ILPs and only 3% are law firms. It is interesting to note that the number of ILPs in Victoria increased by 11%.

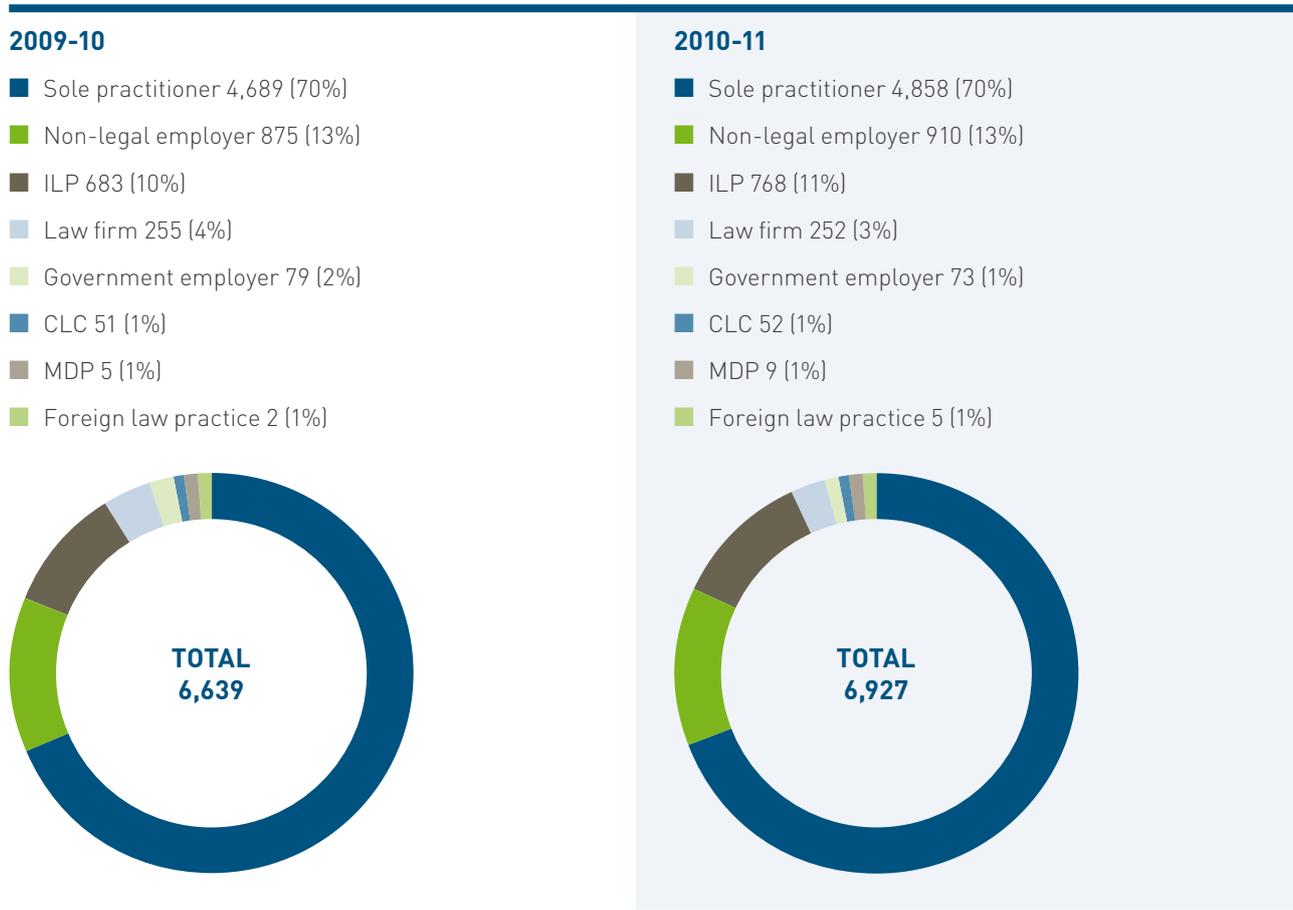


Figure 17: Number of legal entities in Victoria

Location of legal entities

Approximately 48% of legal entities are located in the city, while a further 38% are located in the suburbs. Only 8% are country based and 5% are located overseas.

Figure 18: Location of legal entities

TYPE	CITY	SUBURB	COUNTRY	INTERSTATE	OVERSEAS	TOTAL
Sole practitioner						
2009-10	2,292	1,754	339	47	257	4,689
2010-11	2,387	1,813	348	57	253	4,858
Non-legal employer						
2009-10	397	335	31	31	81	875
2010-11	425	351	30	25	79	910
ILP						
2009-10	260	296	99	28	0	683
2010-11	305	318	109	36	0	768
Law firm						
2009-10	134	69	43	9	0	255
2010-11	135	69	37	11	0	252
Government employer						
2009-10	51	18	5	5	0	79
2010-11	51	16	4	2	0	73
CLC						
2009-10	15	28	7	1	0	51
2010-11	15	28	7	2	0	52
MDP						
2009-10	1	3	0	1	0	5
2010-11	3	3	1	2	0	9
Foreign law practice						
2009-10	1	0	0	0	1	2
2010-11	2	2	0	0	1	5
TOTAL						
2009-10	3,151	2,503	524	122	339	6,639
2010-11	3,323	2,600	536	135	333	6,927

Entities by type and number of principals

Figure 19 shows the number of legal entities by entity type and the number of principals. As indicated below, the majority of entities only employ one principal, the only exception being law firms.

Figure 19: Entities by type and number of principals

TYPE	0-1 [#]	2-3	4-5	6-10	11-20	21-40	40+	TOTAL
Sole practitioner								
2009-10	4,688	1	0	0	0	0	0	4,689
2010-11	4,858	0	0	0	0	0	0	4,858
ILP								
2009-10	518	119	33	6	7	0	0	683
2010-11	587	137	33	4	7	0	0	768
Law firm								
2009-10	7	185	15	19	7	11	11	255
2010-11	7	178	20	14	11	9	13	252
CLC								
2009-10	42	7	2	0	0	0	0	51
2010-11	37	14	0	0	0	1	0	52
MDP								
2009-10	3	0	0	1	0	0	1	5
2010-11	4	2	1	0	1	1	0	9
Non-legal employer								
2009-10	875*	0	0	0	0	0	0	875
2010-11	910*	0	0	0	0	0	0	910
Government employer								
2009-10	79*	0	0	0	0	0	0	79
2010-11	73*	0	0	0	0	0	0	73
Foreign law practice								
2009-10	1	0	0	1	0	0	0	2
2010-11	4	0	0	1	0	0	0	5
TOTAL								
2009-10	6,213	312	50	27	14	11	12	6,639
2010-11	6,480	331	54	19	19	11	13	6,927

* All government and non-legal employers have no principals assigned.

[#] Entities with no principals assigned are due to processing times for registering changes. In most instances these entities are in the process of ceasing practice, but have not yet formally notified the Board. However, in some instances the absence of a principal is due to a practitioner's failure to notify the Board of his or her commencement in this role.

Entities by entity type and number of employees

Figure 20 shows the number of legal entities by entity type and the number of employees. The majority of entities employ only one employee, the exception being law firms.

Figure 20: Entities by entity type and number of employees

TYPE	0-1#	2-3	4-5	6-10	11-20	21-40	40+	TOTAL
Sole practitioner								
2009-10	4,361	263	45	19	1	0	0	4,689
2010-11	4,508	281	47	21	1	0	0	4,858
Non-legal employer								
2009-10	558	186	55	50	13	7	6	875
2010-11	579	180	67	57	14	7	6	910
ILP								
2009-10	307	195	75	74	20	4	8	683
2010-11	357	217	79	73	31	5	6	768
Law firm								
2009-10	4	99	45	43	23	16	25	255
2010-11	3	88	50	50	23	13	25	252
Government employer								
2009-10	29	19	8	11	7	3	2	79
2010-11	27	11	10	13	8	1	3	73
CLC								
2009-10	0	6	8	14	9	9	5	51
2010-11	0	6	9	11	13	8	5	52
MDP								
2009-10	3	0	0	1	0	0	1	5
2010-11	4	1	1	1	0	0	2	9
Foreign law practice								
2009-10	1	0	0	1	0	0	0	2
2010-11	3	1	0	1	0	0	0	5
TOTAL								
2009-10	5,263	768	236	213	73	39	47	6,639
2010-11	5,481	785	263	227	90	34	47	6,927

Entities with no employees assigned are due to processing times for registering changes. In most instances these entities are in the process of ceasing practice, but have not yet formally notified the Board. However, in some instances the absence of a principal is due to a practitioner's failure to notify the Board of his or her commencement in this role.

Report of operations

This chapter outlines the Board's performance in carrying out its key functions in the 2010-11 reporting year.

Ensuring the effective regulation of the legal profession

The Board is responsible for ensuring the effective regulation of the legal profession in Victoria. The Board maintains a regulatory regime to ensure Victorian legal practitioners maintain the legal profession's own currently high standard of legal services and conduct.

Online renewal of practising certificates

For the first time ever, Victorian legal practitioners could renew their practising certificates online via a web-based application developed by the Board. The application, known as LSB Online, was piloted among legal practitioners from 60 law practices and all Victorian barristers for the 2011-12 renewal cycle. Approximately 4,000 practitioners used the online system to renew their practising certificates. The application also enables legal entities to pay for and manage their employees' practising certificate fees. A total of 22 legal entities used LSB Online to pay their employees' practising certificate fees.

The benefits of LSB Online include:

- a faster and more convenient option for completing and submitting practising certificate application forms
- a reduction in the cost of processing practising certificates
- reduced data entry and manual payment processing,
- improved quality and accuracy of information due to reduced manual data entry.

LSB Online will be available to all practitioners for the 2012-13 renewal period. A range of other forms will

also be made available via LSB Online. The *Application for the grant or variation of a practising certificate form*, for example, can be completed online from late 2011.

Removal of the statutory declaration requirement from the *Legal Profession Act 2004*

The Board worked with the Attorney-General to make an amendment to the Act to remove the requirement for legal practitioners to complete a statutory declaration with their practising certificates. When applying for or renewing their practising certificates, legal practitioners were required to complete a statutory declaration confirming that the information on their application forms was true and correct. The Board felt this requirement was onerous on legal practitioners, and would be even more burdensome for legal practitioners wanting to renew their practising certificates online. For example, using the online form, legal practitioners would have been required to print, sign, scan and upload the statutory declaration. The amendment was passed by the Victorian Parliament in March 2011. Now, legal practitioners are required to only complete an attestation confirming that the information on their application or renewal form is true and correct.

Policies

While the Act provides the regulatory framework for the profession, the practical application of regulatory requirements relies on the development of Board policies. Through consultation with its delegates and interested groups, the Board develops policies which provide guidance to practitioners on the regulatory obligations under the Act. The policies reduce regulatory burden by providing clarity of the regulatory obligations on practitioners and provide increased certainty about performance of the Board's regulatory functions.

Review of existing policies

To maintain an effective regulatory regime, the Board conducts regular reviews of its policies. During the year, the Board reviewed and revised the following policies:

- Prosecution Policy
- Compliance and Enforcement Policy
- Supervised Legal Practice Exemptions Policy, and
- Exemption Policy for External Examiners

The Board publishes copies of its policies on its website.

Incorporated Legal Practices

An Incorporated Legal Practice (ILP) is a corporation that is permitted under the Act to engage in legal practice, and may also provide services other than legal services, except those that are expressly prohibited by the Act or the regulations. The Act requires a director of an ILP to implement and maintain appropriate management systems. The position of ILPs is unique under the Act because they are the only form of law practice that is permitted to incorporate as Corporations Act companies. A range of provisions were inserted into the Act to deal with the potential for conflicts to arise on the part of legal practitioner directors of ILPs. Normally a company director owes his or her primary duty to the shareholders of the company. The primary duties of a legal practitioner however, are owed first to the court and secondly to the client.

Audits

The Act gives the Board power to audit ILPs to ensure that the ILP is complying with the relevant legislative requirements. In 2010-11, the Board conducted its first audit of an ILP. The LSC asked the Board to conduct the audit following a high volume of complaints received in relation to the ILP. The audit involved reviewing files, assessing the ILP's management system and processes and interviewing the ILP director, employee practitioners and support staff. At the conclusion of the audit, the Board provided the ILP director with a number of recommended actions and deadlines for implementation. The Board will undertake a follow up audit to confirm whether the actions have been implemented.

Self-assessment audit program

The Board has developed a self-assessment audit program in line with the New South Wales and Queensland regulators, which reflects an educative approach to achieve compliance. As part of the program, the Board has produced a self-assessment audit document that aims to educate principals of ILPs about appropriate management systems and raise awareness of their obligations under the Act. The audit document assesses ILPs on ten criteria, which includes negligence, delays, communication, liens and file transfers, undertakings, supervision of staff, trust accounting, records management, costs disclosure and billing and conflict of interest. ILPs are required to outline their management systems in place for each measure and provide a self-assessment against each criteria. This year, the Board commenced work on developing a module that will enable ILPs to complete the self-assessment audit online. This module is anticipated to be completed in 2011-12.

Legal profession rules

In Victoria, legal practitioners and law practices are subject to a framework of legal profession rules made by the Board and, with the approval of the Board, by the LIV and the Bar. During the year, the Bar sought the Board's approval to make legal profession rules in relation to Barristers' Reading Rules. The proposed Rules set out the minimum training and supervision requirements for legal practitioners wanting to practise solely as barristers by prescribing a reading period and readers' course. The Rules aim to address a regulatory gap, where Barristers who are not members of the Bar are not bound by the Bar's rules and regulations, and therefore are not required to comply with the educational requirements of reading and the readers' course. Before approving legal profession rules, the Board is required to provide the legal profession and the public with an opportunity to review and comment on the proposed rules. The Board invited comments in relation to the Barristers' Reading Rules in April 2011; one submission was received during this period. The Rules were subsequently approved by the Board in August 2011.

Supervised legal practice requirements

The Act imposes a condition on the initial Victorian practising certificate granted to legal practitioners that the holder must engage only in supervised legal practice for a specified period of:

- eighteen months, if the legal practitioner completed practical legal training principally under the supervision of an Australian legal practitioner (eg. articles of clerkship) to qualify for admission, or
- two years, if the legal practitioner completed other practical legal training to qualify for admission, for example Leo Cussen or College of Law.

The supervised legal practice requirement does not apply to:

- barristers
- legal practitioners who held an Australian practising certificate at any time before 12 December 2005, or
- foreign lawyers practising foreign law in Victoria.

The supervised legal practice condition may be removed in one of two ways:

- by applying to remove the condition after the requisite period of supervised legal practice has been completed, or
- by applying for an exemption from the requirement on the basis of prior legal practice; for example, experience gained interstate, overseas or as an employee of the Crown.

The Board may exempt a person from the supervised legal practice requirement, either in full or in part, having regard to the length and nature of any legal practice previously engaged in, and the length and nature of any legal practice engaged in by the supervisors (if any). In 2010-11, the Board received 54 applications for supervised legal practice exemptions compared with 32 in 2009-10. The Board approved 31 applications and disallowed one. Figure 21 shows the outcomes of the applications.

Figure 21: Applications for exemptions from supervised legal practice requirements

	2009-10	2010-11
Applications received	32	54
Exemptions granted	19	31
Applications declined	0	1
Decisions pending at 30 June	8	18
Applications withdrawn	5	4

Protecting consumers of legal services

The Board is committed to addressing the concerns of clients of law practices and legal practitioners through maintaining an effective regulatory system which ensures adequate protection for consumers of legal services. The Board achieves this through establishing and maintaining standards of conduct for the provision of legal services and effectively responding to breaches of the Act, regulations and professional standards.

Enforcement of requirements

The Board enforces breaches of the Act, the regulations and legal profession rules. Where the Board investigates breaches, action is taken in an appropriate and timely manner. Board staff and Board delegates pursue all non-compliance matters through a range of interventions, commencing with education and counselling for minor breaches, escalating to referrals for disciplinary investigation, external interventions in relation to law practices, suspension or cancellation of practising certificates, strike-off applications and criminal prosecution. The majority of regulatory actions for non-compliance are delegated to the LIV and the Bar. When the Board receives information about suspected trust account defaults or unqualified practice concerns, the matters are referred for investigation by the Board's delegate.

Unqualified legal practice

A person must not engage in legal practice in Victoria unless they hold a local or interstate practising certificate. There are exceptions to this: refer to the Act for a list of people to whom this applies. Practising in Victoria without a local or interstate practising certificate is an offence carrying a maximum penalty of two years' imprisonment. This is known as unqualified legal practice. During the year, 20 unqualified practice issues were referred to the LIV for investigation. The LIV, acting as the Board's delegate, made an application to VCAT for disqualification orders against an individual who appeared before a court while claiming to be a lawyer when he was not. VCAT subsequently made disqualification orders against the individual.

External interventions

The Board has the power to appoint a supervisor or manager to a law practice or to apply to the Supreme Court for an order appointing a receiver to a law practice. In granting the Board the power to appoint external interveners to a law practice the Act aims, amongst other things, to protect the interests of the general public and the interests and property of clients. The Board can appoint external interveners in a variety of circumstances including cases where the Board believes that the practice is not dealing adequately with trust money, has committed a serious irregularity and where the practice is in contravention of the Act, regulations or rules. Figure 22 shows the number of external interventions undertaken in 2010-11.

Figure 22: External interventions

PART OF ACT	TYPE OF EXTERNAL INTERVENTION	PRE-EXISTING AT 30 JUNE		COMMENCED		CLOSED		CLOSING BALANCE	
		2009-10	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11
Part 5.5	Receiverships	17	15	4	1	5	8	16	8
Part 5.4	Managements	0	0	0	0	0	0	0	0
Part 5.3	Supervisions	1	0	1	0	0	2	0	0

Suspension and cancellation of practising certificates

Where there is strong evidence that a relatively serious breach of the Act, regulations or rules has occurred and the breach poses actual or likely risk of consumer detriment, then the practising certificate of a practitioner may be suspended or cancelled. The Board did not suspend or cancel any practising certificates in the reporting year.

Removing practitioners from the local roll

The Board has the power to apply to the Supreme Court of Victoria for a local practitioner's name to be removed from the roll of legal practitioners maintained by the Court. This is known as a strike-off application. The Board will make a strike-off application when the Board concludes that the practitioner is not a fit and proper person to hold a practising certificate and the concerns about the lawyer cannot be adequately addressed by temporary restrictions and the circumstances involve a serious offence or a prior history of similar offences. During 2010-11, the Board made five applications to have the names of legal practitioners removed from the roll of legal practitioners, all of which were successful.

Continuing Professional Development Verifications

One of the ways in which the Board ensures that high standards of conduct are maintained is by conducting continuing professional development (CPD) verifications (audits) to ensure practitioners have complied with their CPD obligations. Local legal practitioners are required to undertake a minimum of ten hours of CPD activities during each year of practice. The purpose of CPD activities is to ensure that practitioners' knowledge and skills are kept current.

The CPD activities undertaken by practitioners must comply with the CPD Rules prescribed by the Board and those of the professional associations. These Rules are available on the Board's website. Practitioners are required to keep a record of all CPD activities undertaken for a period of three years. The Board, through the LIV and the Bar as its delegates, may conduct audits to determine whether practitioners have met their obligations under the applicable CPD rules for the current CPD year or any of the three previous CPD years. If selected for verification, practitioners must provide:

- their CPD attendance record
- a statutory declaration, and
- supporting evidence (eg. receipts, copies of presentation notes, copies of enrolment records or certificates of completion).

When renewing their practising certificates, practitioners must confirm that they have completed their CPD activities. If they are not in compliance, practitioners can apply for an exemption or submit a rectification plan. The LIV as the Board's delegate audited 500 practitioners for CPD compliance, which is the same number audited in 2009-10. Figure 23 shows the outcomes of the audits conducted in 2010-11.

Professional indemnity insurance

The Act requires law practices (other than community legal centres) to obtain professional indemnity insurance before commencing to engage in legal practice in Victoria. Law practices must maintain professional indemnity insurance at all times while engaged in legal practice in Victoria. Professional indemnity insurance must be held with the Legal Practitioners Liability Committee (LPLC).

The requirement to hold insurance with the LPLC does not, however, apply to Australian-registered foreign lawyers or to community legal centres which are required to obtain and maintain insurance on terms and conditions approved by the Board. The insurance held by a law practice must cover the civil liabilities of the law practice and each person who is or was a principal or an employee of the law practice, in connection with the legal practice and the administration of trusts in Victoria.

Figure 23: CPD Audits conducted by the LIV

	2009-10	2010-11
Total number of practitioners audited	500 [#]	500 [*]
Practitioners who complied	472	480
Practitioners who did not comply	8	0

[#]Note: 20 practitioners were excluded for reasons such as: maternity leave, on compliance list or audited in past two years.

^{*}Note: 18 practitioners were excluded for reasons such as: maternity leave, on compliance list or audited in past two years. Two audits were pending as at 30 June 2011.

Exemption from professional indemnity insurance requirements

The Board can grant an exemption to a law practice or a community legal centre from the requirement to obtain or maintain professional indemnity insurance. For example, a practice that holds insurance in accordance with the requirements of another jurisdiction. The Board's professional indemnity insurance exemption policy is available on the Board's website. The majority of exemption applications received by the Board are from interstate law practices which already hold professional indemnity insurance with an interstate insurer and are therefore seeking an exemption from holding insurance with the LPLC.

During 2010-11, the Board received 61 applications for exemption from professional indemnity insurance requirements compared with 40 in 2009-10. 35 of these applications were "renewal" applications for exemptions in respect of the 2011-12 year (i.e. if granted, they would take effect on 1 July 2011) but were submitted to the Board by 30 June 2011 as required. The Board granted exemptions to 58 of the applications compared with 31 in the previous year. Figure 24 shows the outcomes of the applications.

Foreign lawyer applications

The Board is responsible for registering foreign lawyers in Victoria. Registration allows the lawyer to practise in Victoria, within the law of the foreign jurisdiction in which they are currently entitled to practise. The Board received 29 foreign lawyer applications in 2010-11 compared with 40 in 2009-10. Figure 25 shows the outcomes of the applications.

Figure 24: Applications for exemptions from professional indemnity insurance requirements

	2009-10	2010-11
Applications received	40	61
Exemptions granted	31	58
Applications declined	0	0
Decisions pending at 30 June	9	3
Application withdrawn	0	0

Figure 25: Applications for foreign lawyer registration

	2009-10	2010-11
Applications received	40	29
Applications granted	31	14
Applications declined	0	0
Decisions pending at 30 June	9	14
Applications withdrawn	0	1

Register of Disciplinary Action

The Board maintains a *Register of Disciplinary Action* (the RODA), which records disciplinary action taken against Australian legal practitioners under the Act. The RODA is published on the Board's website and includes:

- disciplinary action taken under the Act against Australian legal practitioners
- disciplinary action taken under a corresponding law interstate, against Australian legal practitioners who are or were enrolled or practising in Victoria when the conduct that is the subject of the disciplinary action occurred, and
- some disciplinary orders which have been made under the previous legislation, the *Legal Practice Act 1996* (Vic) and are still in effect: for example, an order which prohibits a practitioner from applying for a practising certificate until 2014 or an order to strike a particular practitioner off the Supreme Court roll of practitioners (and that practitioner has not since been re-instated on the roll).

Similar to the Register of Legal Practitioners and Law Practices, the RODA is another mechanism for ensuring consumer protection. Members of the public can refer to the RODA to determine whether disciplinary action has been taken against a particular legal practitioner. The Board updates the RODA throughout the year to reflect recent disciplinary orders. The RODA can be viewed on the Board's website at www.lsb.vic.gov.au

Ensuring the proper management of trust accounts

The Board is responsible for the administration of trust accounts in Victoria. Law practices are required to maintain trust money in an account known as a general trust account. These accounts must be maintained in accordance with the Act, its regulations and any applicable legal profession rules. Law practices are entrusted with money in the course of or in connection with the provision of legal services. Trust money includes general trust money, controlled money and transit money. Further information on the financial activity of general trust accounts can be found on page 40 of this report.

Supervising the management of general trust accounts

The Board performs a number of functions which ensure the supervision of general trust accounts. These include:

- providing directions and guidelines for the conduct of trust account audits
- prescribing appropriate educational courses for approved external examiners who audit the trust accounts
- monitoring general trust accounts to ensure compliance with the Act, including the identification of irregular transactions, and
- monitoring and recording daily general trust account movements and balances.

Trust account investigations

The Board has delegated its function for general trust account surveillance and investigations to the LIV and the Bar. To ensure compliance with the general trust account regulations, the LIV carried out investigations into 401 of the total 1,800 trust accounts held by law practices under Division 3 of Part 3.3 of the Act (see Figure 26). Investigations can be conducted on referral from a complaint received by the LSC or on the recommendation of the Board. Trust account investigations aim to identify unusual activity in connection with money held in trust accounts. Investigations usually involve analysing trust account records and interviewing the law practice or practitioner associated with the trust account. In some cases, further information may be required, for example information from Victoria Police, the Australian Securities and Investments Commission, the State Revenue Office and the Probate Office. Most investigations are finalised within two days. Some however, may take longer depending on the volume of information that needs to be reviewed.

Figure 26: Trust account investigations

	TOTAL
2009-10	403
2010-11	401

Statutory Deposit Accounts

In accordance with the Act, law practices and approved clerks who maintain a general trust account must make quarterly deposits into a Statutory Deposit Account (SDA). Individual SDAs are allocated for each law practice or clerk, and linked to a law practice's or clerk's trust account. The SDAs are held by the Board with the Westpac Banking Corporation.

Electronic funds transfer arrangements ensure that withdrawals from the SDA can be made with minimum disruption to a law practice or approved clerk. An amount calculated using a formula set out under the Act must be deposited into the SDA within 21 days of the end of each designated quarter in which the 'required amount' exceeds \$10,000. The balance remaining in the general trust account after the transfer of funds to the SDA is known as the residual trust account balance.

The SDA is maintained within the Public Purpose Fund (PPF) held by the Board. Details of the SDA holdings and average residual trust account balances at the end of the current and preceding financial years are shown in Figure 27.

Figure 27: SDA holdings and average residual balances for 2010-11 and 2009-10

Month	2009-10			2010-11		
	SDA	Residual Balance	Total	SDA	Residual Balance	Total
July	\$386,494,194	\$825,512,214	\$1,212,006,408	\$463,840,529	\$1,275,039,335	\$1,738,879,864
August	\$448,387,124	\$837,754,407	\$1,286,141,531	\$535,486,423	\$928,255,361	\$1,463,741,784
September	\$433,780,757	\$812,189,825	\$1,245,970,582	\$508,839,840	\$1,034,174,719	\$1,543,014,559
October	\$420,611,679	\$898,027,462	\$1,318,639,141	\$486,705,623	\$1,005,269,821	\$1,491,975,444
November	\$491,552,279	\$913,439,833	\$1,404,992,112	\$545,434,521	\$1,086,282,216	\$1,631,716,463
December	\$458,338,607	\$912,622,918	\$1,370,961,525	\$498,443,521	\$768,801,116	\$1,267,244,637
January	\$447,052,007	\$824,317,430	\$1,271,369,437	\$479,586,883	\$872,637,606	\$1,352,224,489
February	\$515,025,555	\$820,996,748	\$1,336,022,303	\$523,189,119	\$837,715,105	\$1,360,904,224
March	\$483,150,152	\$812,179,087	\$1,295,329,239	\$492,479,750	\$846,245,838	\$1,338,725,588
April	\$461,295,633	\$832,505,087	\$1,293,800,720	\$473,527,718	\$939,588,048	\$1,413,115,766
May	\$505,339,890	\$872,618,412	\$1,377,958,302	\$522,694,399	\$1,341,373,656	\$1,864,068,055
June	\$484,686,246	\$927,068,015	\$1,411,754,261	\$504,365,842	\$1,116,868,870	\$1,621,234,712

Assisting legal practices to identify and mitigate risk

As part of the SDA monitoring system, when there is movement between a law practice's general trust account and the linked SDA, the Board provides daily statements to the law practice. This enables the law practice to monitor and reconcile each of the accounts on a daily basis. When negative balances in a general trust account are identified, they are reported to the law practice daily. Where serious discrepancies are identified, these are referred to the LIV, as the Board's delegate, for investigation.

Trust account course

To be eligible to receive trust money and operate a trust account in Victoria, legal practitioners must hold a principal practising certificate and complete a law practice trust account course, which includes the completion of a work book that is assessed by the LIV, as the Board's delegate. Depending on the outcome of the assessment, the legal practitioner may be granted authorisation to receive trust money or asked to undertake further training. A total of 128 practitioners completed the trust account course in the reporting year.

Approved external examiners

Under the Act, law practices which are required to maintain trust records must have those records examined by an approved external examiner. The Act sets out specific requirements for approved external examiners. One such requirement is that approved external examiners must have successfully completed certain courses of education required by the Board. In this respect, the LIV conducts training courses for approved external examiners (auditors) of trust accounts. The course is valid for two years. The approved external examiners course was undertaken by 28 external examiners in 2010-11.

Survey on the characteristics of solicitors' trust accounts

In April 2011, the Board conducted the annual *Survey on the characteristics of legal trust accounts*. Approximately 10% of the 1,800 legal entities with a trust account as at 30 April 2011 participated in the survey. Participation is voluntary. The survey consisted of four questions regarding the breakdown of monies held in trust as at 30 April 2011.

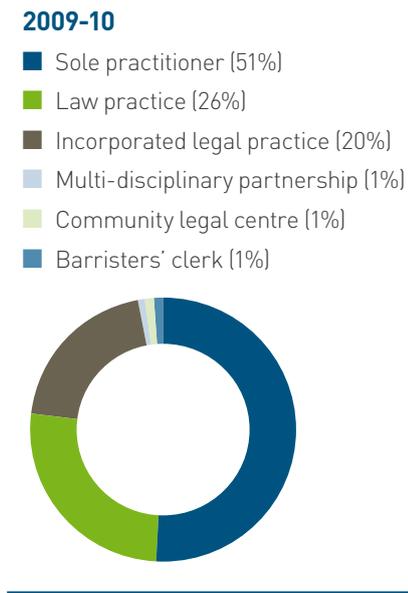
Key findings from the survey included:

- 46% of participants were sole practitioners
- 28% were law practices
- 47% of respondents were suburban based
- 25% were city based
- 59% of participants maintained up to \$500,000 in trust money at 30 April 2011
- 25% maintained between \$500,001 and \$2 million
- 2% held between \$5 million and \$30 million in trust
- the area of probate, wills and estates accounted for 33% of trust money
- commercial property comprised 30% of trust money
- family law accounted for 8%, and
- private property comprised 1% of monies in trust.

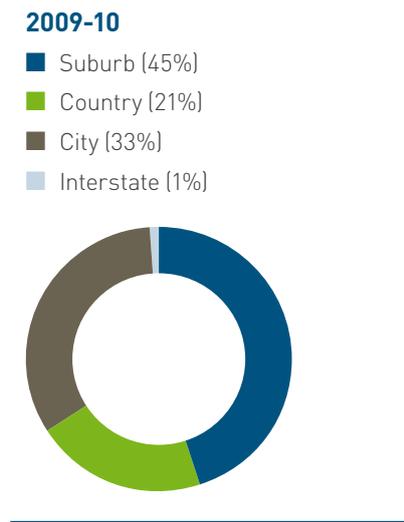
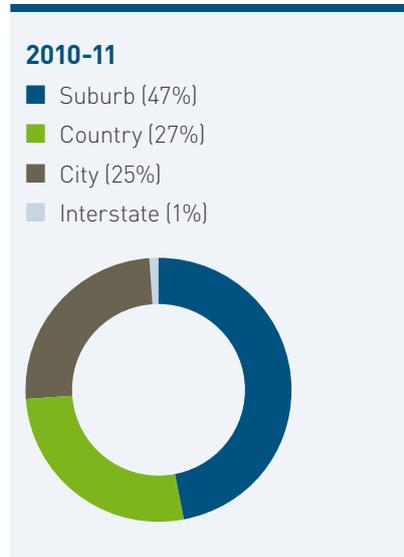
The survey results are shown on pages 34 and 35.

Results from the survey on the characteristics of solicitors' trust accounts

Q1. What is your entity type?

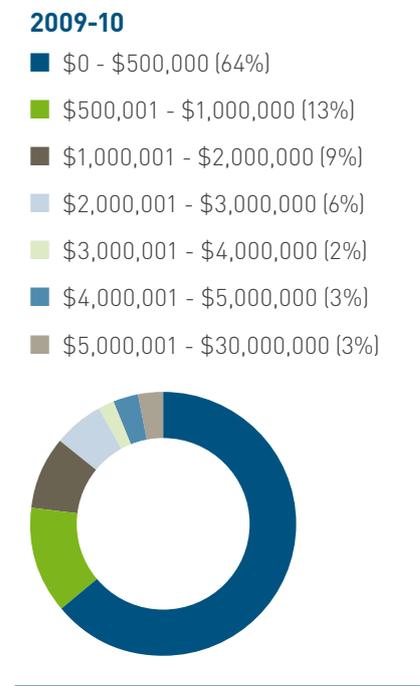


Q2. What is the postcode of the address for service of your main office?



Q3. What is the total amount of money held in your trust account(s) including your statutory deposit account as at 30 April 2011?

By number of firms

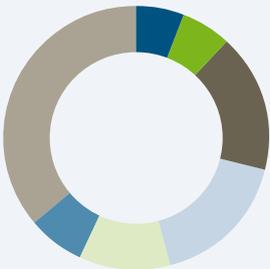


Q4. In percentage terms, what is the breakdown of the total amount of trust money as at 30 April 2011?

By total amount of money

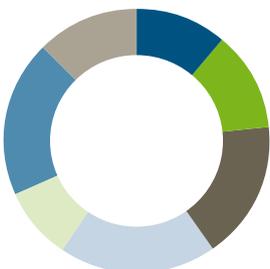
2010-11

- \$0 - \$500,000 (6%)
- \$500,001 - \$1,000,000 (6%)
- \$1,000,001 - \$2,000,000 (17%)
- \$2,000,001 - \$3,000,000 (17%)
- \$3,000,001 - \$4,000,000 (11%)
- \$4,000,001 - \$5,000,000 (7%)
- \$5,000,001 - \$30,000,000 (36%)



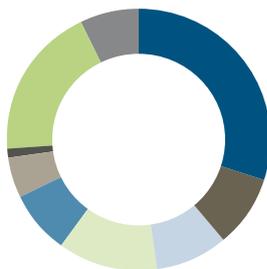
2009-10

- \$0 - \$500,000 (10%)
- \$500,001 - \$1,000,000 (11%)
- \$1,000,001 - \$2,000,000 (15%)
- \$2,000,001 - \$3,000,000 (17%)
- \$3,000,001 - \$4,000,000 (8%)
- \$4,000,001 - \$5,000,000 (17%)
- \$5,000,001 - \$30,000,000 (11%)



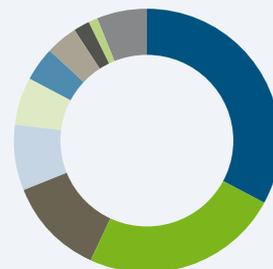
2009-10

- Probate, wills and estate (30%)
- Conveyancing (N/A)
- Commercial business (9%)
- Family law (9%)
- Monies received for the provision of legal services (12%)
- Commercial property (8%)
- Criminal (5%)
- Personal injury/workcover (1%)
- Private property (19%)
- Other (7%)



2010-11

- Probate, wills and estate (33%)
- Conveyancing (24%)
- Commercial business (12%)
- Family law (8%)
- Monies received for the provision of legal services (6%)
- Commercial property (4%)
- Criminal (4%)
- Personal injury/workcover (2%)
- Private property (1%)
- Other (6%)



Ensuring that the Victorian system is at the forefront of regulation

The Board strives to ensure that the Victorian system is at the forefront of the regulation of legal practitioners. The Board achieves this in part through engaging with and informing the profession and interested groups about significant issues. The Board is also committed to identifying and responding to current and emerging issues that are relevant to Victorian legal practitioners.

Identifying and responding to current and emerging issues

Submission to the COAG National Legal Profession Reform Project

The Board prepared a submission in response to the Council of Australian Governments (COAG) draft national law. The Board's submission focused on nine key policy issues, which included:

- composition of the National Board
- relationship between the National Board and National Ombudsman
- preference for the use of the title Commissioner over Ombudsman
- the issue of uniformity between the states under the national model
- the need for more clarity around delegations
- the benefits of having a single national trust account
- the recommendation for further detail around costs disputes and disciplinary complaints
- concerns in relation to the authority of the Board to approve authorised deposit-taking institutions in respect of trust accounts, and
- issues concerning the proposed body for determining admissions to practice.

The Board's submission also commented on the proposed Solicitors' Conduct Rules and expressed support for the submission made by the LSC. A number of Board staff also participated in discussions in relation to specific details of the proposed model with staff from the Victorian Department of Justice. As at 30 June 2011, COAG had not made a decision about the implementation or commencement details of the national model.

Submissions

Board staff prepared submissions in response to a broad range of issues during the year. The submissions are discussed in detail below.

Alternative Dispute Resolution Pledge

Board and LSC staff prepared a joint submission to the Department of Justice on the Alternative Dispute Resolution Pledge and the Model Litigant Guidelines.

Judicial appointments review

Board staff prepared a submission to Courts and Tribunals Victoria on the Judicial Appointments Review. The submission endorsed the methods of judicial appointments and the skills, abilities and qualities that might be required of a modern judicial officer. The submission concentrated on the value of skills in alternative dispute resolution and experience in civic and professional responsibilities as well as high levels of specialist or generalist legal skills.

Productivity Commission's review on regulatory burdens on Migration Agents

Board and LSC staff prepared a joint submission to the Productivity Commission's review on whether lawyers who are migration agents should be exempted from the migration agents regulatory scheme, as migration agents are also regulated under legal practitioner regulation in each state and territory. The submission expressed support for the retention of the existing scheme.

Subordinate Legislation (Legislative Instrument) Regulations 2011

In May 2011, Board staff prepared a submission to the Department of Premier and Cabinet Subordinate Legislation Project team on the proposed *Subordinate Legislation (Legislative Instrument) Regulations 2011*. The submission noted that Board staff supported the objectives of the proposed regulations i.e. to clarify which legislative instruments are affected by the expanded operation of the preparation requirements in the *Subordinate Legislation Act 1994*. The submission suggested some amendments to the proposed regulations in order to clarify that specified instruments were not legislative instruments. The submission further recommended that rules made under the proposed National Law should be exempt from the requirements of the *Subordinate Legislation Act 1994*.

Engaging and informing the profession and other interested groups about current issues

Meetings with interested groups and professional organisations

The CEO and Board staff held regular meetings with staff from the Department of Justice in relation to the National Legal Profession Reform Project. The CEO and Director, Regulatory Coordination also participated in the monthly meetings of the Legal Services Commissioner Collaborative Group, which is comprised of the NSW and QLD Commissioners and the CEO of the Western Australian Legal Practice Board. These meetings promote the sharing of information and ideas in relation to important common and national legal regulatory issues.

Conference of Regulatory Officers (CORO) Conference

In August 2010, the Board co-hosted the 2010 CORO Conference in collaboration with the LSC and LIV. CORO is an annual conference that provides legal regulators with an opportunity to meet to discuss legal regulation issues. The theme of the 2010 Conference was 'Local, National, Global: Crossing Boundaries'. A range of topics were discussed during the two day conference including suitability and fitness to practise, the future of continuing legal education in Australia, implications for legal regulators in relation to the use of legal outsourcing by local law firms and off-shoring of legal services providers, and the National Legal Profession Reform Project. The keynote speaker was The Hon. Justice Tony Pagone of the Supreme Court of Victoria, who presented on the topic, *What to prosecute: allocation and administration of scarce resources*. A total of 64 people attended CORO, with representatives attending from each state and territory. Representatives from New Zealand's legal regulator also attended.

Meeting with the new Attorney-General, The Hon. Robert Clark MP

The Board CEO and Director, Regulatory Coordination, met with The Hon. Robert Clark MP, upon his appointment to the position of Attorney-General in late 2010. The CEO discussed with the Attorney-General some of the key issues in legal regulation and briefed him on the Board's submission to COAG on the National Legal Profession Reform Project. The CEO and Chairperson of the Board met with the Attorney-General on one other occasion during the reporting year.

Legal Laneway Breakfast – Opening of the 2011 Legal Year

The Board co-sponsored the annual Legal Laneway Breakfast organised by Victoria Law Foundation. This event marks the opening of the legal year and is attended by approximately 400 members of the legal community.

Engagement with other agencies

Board staff worked with representatives from the Business Licensing Authority (BLA) to update the memorandum of understanding between the Board and the BLA. Staff provided input on the development of new publications about improving understanding of conveyancer and legal practitioner roles in the real estate sector. Staff also commenced work on developing a memorandum of understanding with the Office of the Migration Agents Registration Authority on the exchange of information and co-ordination between the two organisations.

Working with the Law Institute of Victoria and Victorian Bar

Board staff met regularly with staff of the LIV and Bar during the year to discuss issues relating to the delegated functions. Under the Act, the Board has the power to delegate functions both internally and externally. The LIV and Bar exercise a number of regulatory functions as delegates of the Board. These functions include the granting and renewal of practising certificates as well as investigations into the management of trust accounts, unqualified practice allegations and show cause event processes. A list of delegations in place with the delegates is available on page 53 of this report.

The Board provides funding to the LIV and the Bar to cover costs associated with carrying out the functions delegated by the Board and performing other related functions such as external interventions. Figures 28 and 29 show the amount of funding provided to the professional associations in 2010-11.

The service level agreement (SLA) between the Board and LIV commenced in July 2010. The Board also commenced work on developing a similar SLA with the Bar.

Figure 28: Payments made to the Law Institute of Victoria in 2010-11

LAW INSTITUTE OF VICTORIA	2009-10 \$'000s	2010-11 \$'000s
Trust account regulation	2,155	2,214
Practising certificates	786	807
Other regulatory costs	136	22
External Interventions	1,267	1,335
Total	4,344	4,378

Figure 29: Payments made to the Victorian Bar in 2010-11

VICTORIAN BAR	2009-10 \$'000s	2010-11 \$'000s
Trust account regulation	Nil	Nil
Practising certificates	51	112
Other regulatory costs	82	23
External Intervention	Nil	Nil
Total	133	134

Promoting the delivery of better legal services and laws in Victoria

Through the effective regulation of the legal profession, the Board aims to promote high professional standards among legal practitioners. In particular, the Board promotes the delivery of better legal services and legal standards in Victoria.

Promoting the legal education and ethical standards of practitioners

Section 6.7.14 of the Act provides that the Board is able to distribute funding to the professional associations for costs incurred in providing continuing legal education programs or other programs aimed at improving legal services in Victoria. During 2010-11, the Board provided \$2,181,000 in funding to the LIV for the delivery of legal education on a range of topics including legal ethics, legal research and advocacy and practice. The Board also provided \$547,000 in funding to the Bar for the delivery of education and training on legal ethics and contributed towards the Bar's continuing legal education program and Bar Readers' Course.

Providing information to new lawyers

The Board distributed copies of its *Admission to Practice* brochure to new lawyers admitted to the Supreme Court of Victoria during the reporting year. The brochure contains information about the role and functions of the Board, practitioners' duties and obligations for maintaining a practising certificate in the state of Victoria, the importance of updating details on the Register and the process for applying for an exemption from supervised legal practice. This information was previously distributed as part of the Admission to Practice pack. This information was converted into a concise brochure in April 2011.

Legal Services Board Grants Program

The Grants Program was established in 2007 to distribute funding to organisations that aim to improve the administration and operation of laws, increase access to justice and inform and educate the wider community about legal services. The Grants Program is funded from the surplus in the Public Purpose Fund – General Account (see page 40 for further information about the Public Purpose Fund). In accordance with the Act, grants may be made for:

- law reform
- legal education
- legal research, or
- any purpose relating to the legal profession or the law that the Board considers appropriate.

All grants must be approved by the Attorney-General before funding is distributed by the Board.

Funding Streams

The Board distributes grants in two streams: namely Project Grants and Major Grants. Project Grants are awarded to small-scale projects with a budget of less than \$50,000 and a maximum duration of approximately one year. Major Grants are distributed to projects with a budget of more than \$50,000 and a maximum duration of up to three years. Major Grants provide funding for programs or research that are projected to have wide, far-reaching impacts with strong public benefit.

Priority for the allocation of funding is usually given to:

- non-profit organisations
- projects that improve access to justice and equity, and
- specific and finite projects.

Preference may also be given to:

- applicants who do not have any other access to the Public Purpose Fund, and
- rural and regional Victoria.

Project Grants awarded in 2010-11

The Board distributed \$500,000 in funding to 12 projects in 2010-11.

Figure 30: 2010-11 Project Grants awarded

APPLICANT NAME	PROJECT TITLE	PROJECT DESCRIPTION	AMOUNT
Advocacy and Rights Centre Limited	Get Smart - avoiding the debt trap	This project will facilitate and deliver legal education regarding credit and debt, targeting young people and trial a regionally focused debt identification and bulk debt negotiation scheme.	\$48,033
Arts Access Victoria and Arts Law Centre of Australia	Raw Law stage two: community information sessions and workshops	Raw Law stage two is a community legal education project which takes Raw Law (a guide explaining legal issues for artists with disabilities) directly to the individuals and communities it targets.	\$29,800
Asylum Seeker Resource Centre	Asylum seekers through legal access	This project will provide information for asylum seekers in Victoria through written guides, online resources and outreach sessions explaining the refugee determination process.	\$49,981
Drummond Street Relationship Centre	Culturally determined barriers, the prevalence and nature of domestic violence within the Australian Indian community	This project will investigate the issue of family violence in the Indian community of Victoria.	\$50,000
Footscray Community Legal Centre	Taxi driver legal project	This pilot project will deliver specialist legal services to taxi drivers with legal problems arising from motor vehicle accidents. The project will gather data to inform the Victorian Government in drafting its proposed Taxi and Hire Car Bill.	\$50,000
Human Rights Arts and Film Festival (HRAFF)	HRAFF – education and outreach program	HRAFF will expand its education and outreach program by travelling to schools to deliver a film based program on human rights.	\$10,000
Hume Riverina Community Legal Service (Upper Murray Family Care)	Strongwill	This project will design an interactive website utilising gaming technology to guide players through a series of scenarios that elicits information to help them develop the information for establishing their will, power of attorney and enduring guardianship.	\$50,000
Immigrant Womens Domestic Violence Service	Better access and equity to the legal system: raising awareness in culturally and linguistically diverse (CALD) communities of their legal rights about family violence	This project will provide education on family violence and the legal rights of women in selected CALD communities in a culturally sensitive way.	\$49,337
Islamic Womens Welfare Council of Victoria	Faith and justice in the family: Equilibrium	Equilibrium is a state-wide community education program to increase Muslim women's understanding of family violence and Victoria's new <i>Family Violence Protection Act 2008</i> .	\$40,000
Relationships Australia Victoria	North-West Vietnamese Men's Group	This project will establish a Vietnamese men's behaviour change program aimed at addressing men's violence within this community.	\$50,000
Springvale Monash Legal Service	Safe Spaces – working with police/youth conflict	The Community Sector Toolkit aims to contribute to the promotion of a 'do no harm-type' approach with agencies who are undertaking or considering community policing projects and or alternate interventions into police/youth relations.	\$32,849
Swinburne University of Technology	Appropriate dispute resolution (ADR) for Victorian owners' corporation internal disputes	This project will track how ADR is being used by a sample of metropolitan and regional owners' corporations. The project will develop a publicly available online consumer tool on mediation techniques for owners' corporation internal disputes.	\$40,000

Major Grants

The prevention of violence against women was identified as the priority theme for the 2010-11 Major Grants. Consultations were held with a range of interested groups and organisations. The Board published a paper titled, *The Role of the Legal*

System in the Prevention of Violence Against Women, which outlined the major themes that were identified through the consultations and the principles that should be taken into consideration when applying for a 2010-11 Major Grant.

The Board submitted their recommendations for the Major Grants to the Attorney-General in June 2011. As at 30 June 2011, the Board was awaiting approval for the Grants from the Attorney-General.

Strengthening our organisational capabilities

The Board is committed to developing and strengthening its organisational capabilities including systems, infrastructure and people.

Staffing data

Section 6.4.1 of the Act prescribes that staff employed by the Board are classified as employees of the LSC. For workforce data relating to the Board and the LSC, including Executive Officer disclosures: refer to the LSC's 2010-11 Annual Report at www.lsc.vic.gov.au

Maintaining good governance practices

Implementation of the Board's Retention and Disposal Authority

The Board's Retention and Disposal Authority (RDA) was approved by the Public Record Office of Victoria (PROV) in early 2009. The RDA sets out the retention and disposal requirements and provisions for archived documents relating to functions and activities performed by the Board. During the year, the Board

developed the Policy for the Retention and Disposal of Board Records, which is based on a set of standards prescribed by PROV. The policy sets the framework for the archiving of the Board's files. These files may be regulatory records or administrative records. The policy specifies how the files are to be archived, destruction dates, minimum requirements for archiving and recording of the files, offsite storage of archives and scanning of records.

During the reporting year, the Board commenced a project that involved archiving all regulatory files maintained by the LIV as delegate of the Board. Board staff worked collaboratively with LIV staff to archive over 25,000 files in a secure storage facility, in compliance with PROV standards. Board and LIV staff reviewed and categorised the files before entering this information into the archiving system. This project will

help ensure the efficient retrieval of files if required at a later date. Further work on the archiving project will continue in 2011-12.

Enhancing our IT database to deliver responsive, efficient and accurate information

IT improvements/enhancements

The IT Team established a disaster recovery site replicating the Board's IT infrastructure with temporary office facilities accommodating a maximum of ten employees. A new disaster recovery plan was developed in conjunction with the Board's business continuity strategy, and systems recovery exercises have been successfully conducted and documented. Planning is now underway for an entire business continuity simulation.

Strengthening our financial practices

The Board is responsible for supervising a number of key accounts and funds; accordingly, it is important that the Board has sound financial practices in place. One of the fundamental aims of the Board is to continue to strengthen its own financial practices.

Manage the Public Purpose Fund to support future funding

Public Purpose Fund

Part 6.7 of the Act requires the Board to maintain a Public Purpose Fund (PPF) in three separate accounts; the General Account, the Statutory Deposit Account (SDA) and the Distribution Account. The Act sets out details about what money is to be paid into and withdrawn from each account.

General Account

Under s.6.7.3 of the Act, the money deposited into the General Account includes interest from law practices' residual trust accounts; interest from the statutory deposit accounts; earnings from investments; fines as a result of hearings by the VCAT Legal Practice List; practising certificate fees; money transferred from the Fidelity Fund and profits from the realisation or revaluation of any investment in the PPF.

Payments are made from this account to:

- the Legal Services Board (under s.6.7.6)
- the Legal Services Commissioner (under s.6.7.7)
- the VCAT Legal Practice List (under s.6.7.8)
- the Council of Legal Education and the Board of Examiners (under s.6.7.3(2)(a)(viii)), and
- the professional associations for continuing legal education programs (under s.6.7.14).

Statutory Deposit Account

Under s.6.7.4 each law practice with a general trust account has an individual SDA held in its name by the Board. The balance in the account is the sum of each of the individual SDAs. The funds held in the account are invested by the Board according to its Investment Policy Statement. The Board's Investment Policy Statement is explained in further detail on page 43 of this report.

Distribution Account

Under s.6.7.5 of the Act, 50% of the surplus in the General Account at 30 June is to be transferred to the Distribution Account during the following year. Funding is provided under s.6.7.9 for the Legal Aid Fund and s.6.7.10 for funding of law-related services and activities.

This includes funding for the Victorian Law Reform Commission. At the end of the reporting year, the surplus in the General Account was \$73,322,000 compared to \$73,236,091 as at 30 June 2010. The distributions made during 2010-11, as determined by the Board and with the approval of the Attorney-General, are set out in Figure 31 and in the financial statements of this report.

Figure 31: Board distributions

	2009-10 (\$'000s)	2010-11 (\$'000s)
PPF GENERAL ACCOUNT SURPLUS		
Surplus from General Account	73,236	73,322
Transfer to Distribution Account (50%)	(36,618)	(36,661)
BALANCE IN GENERAL ACCOUNT	36,618	36,661
<i>Allocation at end of year to organisations for following year funding/grants</i>		
Victoria Legal Aid (35%)	(25,633)	(25,662)
Leo Cussen Institute	(1,766)	Nil
Victorian Law Reform Commission	(1,785)	(1,828)
Victoria Law Foundation	(1,700)	(1,760)
Judicial College of Victoria	Nil	(280)
Subtotal	(30,884)	(29,531)
Unallocated	(5,734)	7,130
Total	(36,618)	(36,661)
DISTRIBUTION ACCOUNT		
Opening balance in Distribution Account	10,451	11,713
Project grants approved and paid	(492)	(500)
Project grants approved not paid	Nil	Nil
Major grants approved not paid	(3,980)	(3,704)
Transfer from General Account	36,618	36,661
Funding/grants approved for distribution during the next financial year	(30,884)	(29,531)
Balance in Distribution Account available for future project and major grants	11,713	14,639

Review of the Board's Financial Operations and Condition

The following table provides the five year financial condition of the Board.

Figure 32: Financial operation and condition of the Board

	2006-07 (\$000's)	2007-08 (\$000's)	2008-09 (\$000's)	2009-10 (\$000's)	2010-11 (\$000's)
FINANCIAL PERFORMANCE					
Revenue from investments and solicitors trust accounts	72,771	83,493	59,499	47,398	70,171
Other revenue	4,252	4,667	6,244	6,735	7,007
Total revenue	77,023	88,620	65,743	54,133	77,178
Total expenditure	57,739	71,350	58,096	67,902	57,585
Net operating results	19,284	17,270	7,647	(13,769)	19,593
Net gain/(loss) on financial instruments	-	(28,124)	(16,549)	5,512	3,102
Net results from continuing operations	22,474	(10,855)	(8,901)	(8,257)	22,695
FINANCIAL POSITION					
Total assets	493,117	525,961	525,932	615,216	652,789
Total liabilities	365,248	408,949	417,817	515,361	530,240

Explanation of results

- The net result of \$22.69 million for 2010-11 when compared to the 2009-10 result of (\$8.25 million) represents a favourable variance of \$30.94 million. This is a pleasing outcome that was achieved by a combination of an improved investment environment, good management controls and a significant reduction in the Fidelity Fund claims provision. Each is explained in further detail below.

Improved 2010-11 investment environment

- The Board was able to achieve a return of 6.3%, in comparison to a benchmark return of 6.6% and a prior year result of 4.6%. As the Board retains approximately 65% of its assets in cash, the results, and changes to prior year, are a pleasing outcome.
- The results represent the first full year of a new strategic asset allocation for the Board. In the last half of 2009-10 the Board transferred over \$200 million across its investment portfolio and replaced two fund managers with four new fund managers.

- The changes have provided a positive financial benefit for the Board. Three of the four fund managers outperformed their respective benchmark and its two international fund managers have been consistently ranked in the top quarter of their peers.
- The improved investment results are also an outcome of the Board's decision to increase its Set Off Agreement from \$200 million to \$250 million. The increase of \$50 million allowed the Board to transfer operating cash to term deposits that has resulted in an additional income of \$1.5 million without exposing the investments to further risk.
- As demonstrated in 2010-11 the portfolio is well positioned to continue to record strong results, and through its management of cash assets is able to achieve higher returns within its conservative approach.

Good management controls

- As a result of management commitment and regular reviews of its financial results against budget, the LSB has demonstrated controls over its discretionary and operating expenditure.
- The total operating expenditure for the 2010-11 year, after deducting investigations and legal expenses, was \$2.26 million in comparison to \$2.34 million, a reduction of \$85,000 or 3.6%. The Board was able to achieve significant cost savings in administration costs.
- Investigations and legal expenses for the year were \$1.16 million in comparison to \$81,000, an increase of \$350,000 or 43%. The costs reflect external work performed on a significant ongoing matter involving a receivership application and disciplinary procedures.

Reduction in Fidelity Fund claims provision

- Each year the Fidelity Fund claims is assessed to determine an appropriate provision for claims incurred but not yet reported. This allows the Board to maintain reserves to ensure these claims can be paid when reported and if approved.
- In 2009-10 the outstanding claim liability was increased by \$9.76 million and was reduced by \$6.54 million in 2010-11, a \$16.31 million year on year positive variance. The change in the provision reflects a general trend of reducing claims being received across the past twelve months.

Summary

The improvement in the financial performance in the year ending June 2011 is pleasing and ensures not only that the Board will retain a healthy surplus, but to also ensure it is in a strong position to maintain its funding to Victorian Legal Aid and other funded organisations.

The positive financial results are a result of a combined stronger investment environment, a commitment to controlled operating costs and an encouraging trend in reducing Fidelity Fund claims.

Figure 33: Investments managed by the Board as at 30 June 2011 (\$'000's)

INVESTMENTS	SPECIAL ARRANGEMENT AND CASH	FIXED INTEREST	AUSTRALIAN EQUITIES	OVERSEAS EQUITIES	LISTED PROPERTY	TOTAL
PPF - SDA	400,799	76,962	45,954	52,530	6,153	582,398
General Account	2,370					2,370
Distribution Account	13,074					13,074
Other Accounts	1,240					1,240
Sub Total	417,483	76,962	45,954	52,230	6,153	599,082
Fidelity Fund	18,808	17,564	4,434	5,083	643	46,532
Total	436,291	94,526	50,388	57,613	6,796	645,614

Investment Policy Statement

The Board held \$645.61 million in investments and operating accounts at 30 June 2011, compared with \$608.82 million in assets at 30 June 2010. The investment objectives for the SDA and Fidelity Fund are as follows:

- (a) The Board aims to restrict the frequency of a negative return to not occur more than once in every 30 years for the SDA when modelling its long term asset allocation and risk/return objectives

- (b) The Board aims to restrict the frequency of a negative return to not occur more than once in every 20 years for the Fidelity Fund when modelling its long term asset allocation and risk/return objectives
- (c) Achieve a CPI +2% per annum return for the SDA, and
- (d) Maintain a CPI +3% per annum return for the Fidelity Fund.

The asset allocations determined to achieve the objectives are set out in Figure 34 overleaf.

Figure 34: Asset allocations

	SDA BENCHMARK (%)	ACTUAL (%) 30.6.2011	FIDELITY FUND PORTFOLIO (%)	ACTUAL (%) 30.6.2011
ASSET ALLOCATION				
Australia Shares	9.0	7.6	10.0	9.5
Overseas Shares	9.0	8.7	10.0	10.9
Diversified Property	2.5	1.0	2.5	1.3
Growth Assets	20.5	17.3	22.5	21.7
Fixed Income	19.0	12.8	38.0	37.8
Cash	60.5	69.9	39.5	40.5
Defensive Assets	79.5	82.7	77.5	78.3
Total	100.0	100.0	100.0	100.0

The Fidelity Fund

Under s.6.7.15 of the Act, the Board is required to maintain a fund called the Fidelity Fund. The Act requires local, interstate and foreign practitioners who hold a Victorian practising certificate to make an annual contribution to the Fidelity Fund. The Fidelity Fund was established for the benefit of clients who have suffered a loss of money or property held in trust by a law practice through fraud or dishonesty. These clients are entitled to make a claim upon the

fund for the amount of their losses. Claims must be lodged with the Board within six months of the claimant becoming aware of the default. In the event that a claim is made outside the six month claim period the Board may still accept the claim. Claims made outside the statutory timeframe must be accompanied by a detailed explanation for the delay. If the Board does not accept a late claim, the claimant is entitled to apply to the Supreme Court to have the statutory timeframe extended. The Board

pursues practitioners and employees of law practices in the recovery of misappropriated trust money wherever possible. Also reported is the actuarial valuation, which is prepared annually by the Board's independent actuaries, am Actuaries. The valuation includes the amount of all outstanding claims on the fund, the actual claims received, an allowance for claims that the fund may incur (but which have not yet been lodged), and a further risk margin. This information is presented in Figure 35.

Figure 35: Fidelity Fund claims in 2010-11

	2009-10		2010-11	
	NO. OF CLAIMS	AMOUNT	NO. OF CLAIMS	AMOUNT
Claims received during the period	82	\$10,828,000	36	\$2,755,000
Claims paid during the period	16	\$1,295,000	16	\$1,112,000
Claims outstanding as at 30 June	62	\$12,464,000	28	\$3,618,000
Actuarial Valuation	N/A	\$17,878,000	N/A	\$11,330,000
Fidelity Fund Recoveries		\$123,000		\$15,000

N/A = Not Applicable

Recovery of money – Fidelity Fund

This year the Board commenced the Subrogated Debt Recovery Project to recover monies paid out of the Fidelity Fund on behalf of offending practitioners to eligible clients. Upon payment of a Fidelity Fund claim, the Board has the power to recover the money from the legal practitioner. Recovered money is paid into the PPF and can be used to cover expenses relating to regulation, legal aid funding and funding of law related services and activities. As part of this project, in January 2011 the Board obtained an order by consent for compensation to be paid from a legal practitioner for the amount of \$92,888.95.

Fidelity Fund Contribution Rates

The Board must annually determine the amount of the Fidelity Fund contribution payable by legal practitioners. In doing so it must have regard to any advice of an actuary engaged by the Board and the solvency level of the Fidelity Fund. If at any time the Board is of the opinion that the credit of the Fidelity Fund is insufficient to meet its liabilities, the Board may impose a levy to particular classes of legal practitioners. Legal practitioners who hold a current Victorian practising certificate pay their contribution to the fund with their practising certificate fees. Foreign and interstate practitioners are required to pay their contribution directly to the Board. The contributions that were to be paid between 1 July 2010 and 30 June 2011 are listed in Figure 36. The Board acting under Division 3 of Part 6.7 of the Act determines the contributions.

Figure 36: Fidelity Fund contribution rates for 2010-11

CLASS	TYPE	CONTRIBUTION
1	Local Practitioner <i>Authorised to receive trust money – exceeding \$500,000</i> An approved clerk or the holder of a local practising certificate that authorises the receipt of trust money who received, or was a principal, employee or a director of a law practice that received trust money exceeding \$500,000 in total during the year ending on 31 October 2010.	\$352
2	Local Practitioner <i>Principal practising certificate not authorised to receive trust money – who is a principal of a law practice that received trust money exceeding \$500,000</i> The holder of a principal practising certificate that authorises the person to engage in legal practice but that does not authorise the receipt of trust money and who is the principal or employee of a law practice that received trust money exceeding \$500,000 in total during the year ending 31 October 2010.	\$352
3	Local Practitioner <i>Authorised to receive trust money - not exceeding \$500,000</i> An approved clerk or the holder of a local practising certificate that authorises the receipt of trust money who received, or was a principal, employee or a director of a law practice that received trust money within the range of Nil - \$500,000 in total during the year ending on 31 October 2010.	\$176
4	Local Practitioner <i>Principal practising certificate not authorised to receive trust money who is a principal of a law practice that received trust money within the range of Nil - \$500,000</i> The holder of a principal practising certificate that authorises the person to engage in legal practice but that does not authorise the receipt of trust money and who is the principal or employee of a law practice that received trust money within the range of Nil - \$500,000 in total during the year ending on 31 October 2010.	\$176
5	Employee practising certificate Employee practising certificate and not authorised to receive trust money. The holder of an employee practising certificate that authorises the person to engage in legal practice but that does not authorise the receipt of trust money and who is employed by a law practice that is authorised to receive trust money.	\$88
6	Exempt Practitioners Corporate practitioners, interstate practitioners not authorised to receive trust money from a local trust account, sole practitioners not authorised to receive trust money, employee practitioners employed by a sole practitioner or law firm not authorised to receive trust money and employees at community legal centres are not required to make a contribution.	Nil
7	Interstate Practitioner <i>Authorised to Receive Trust Money – exceeding \$500,000</i> An interstate legal practitioner who is authorised to withdraw money from a local trust account and who is a principal, employee or a director of a law practice that received trust money in Victoria exceeding \$500,000 in total during the year ending on 31 October 2010.	\$352
8	Interstate Practitioner <i>Authorised to Receive Trust Money – not exceeding \$500,000</i> An interstate legal practitioner who is authorised to withdraw money from a local trust account and who is a principal, employee or a director of a law practice that received trust money in Victoria within the range of Nil - \$500,000 in total during the year ending on 31 October 2010.	\$176

Fidelity Fund Case Studies

Note: the following case studies do not represent actual events and are derived from the circumstances of a number of cases.

Case Study

Claim allowed

John hired a lawyer to help him with divorce proceedings. The matter involved the sale of the matrimonial home.

The home sold for \$450,000, for which John was entitled to \$150,000. This amount was deposited into the lawyer's trust account pending the finalisation of the divorce proceedings. Once the paperwork had been signed, the lawyer advised John that the money would be transferred into his account at the end of the 30 day settlement period.

John expected to receive the money after 30 days. This did not occur. John tried contacting the lawyer; however the lawyer did not return his calls. John eventually visited the lawyer's office and found that his office had been vacated.

John made a claim against the Fidelity Fund with the Board. The matter was investigated by the LIV, as delegate of the Board.

The investigations officer was unable to locate the lawyer, however, from the evidence gathered through bank account records and interviews with former employees of the lawyer, the investigator found that John's money had been taken unlawfully by the lawyer from his trust account.

Based on the investigator's report the Board decided a default had occurred, allowed the claim in full and paid John the amount of \$150,000 plus interest, plus his legal costs incurred in making the claim.

Case Study

Claim disallowed

Judy engaged a lawyer to carry out legal work relating to the purchase of a property.

Once the purchase had been finalised, the lawyer advised Judy about an investment scheme managed by a friend of the lawyer, for which the lawyer was a joint-partner. The lawyer persuaded Judy to invest \$20,000 with the scheme. The lawyer told Judy that the money would be invested into property development projects. Judy signed the relevant paperwork and transferred the money into the lawyer's trust account. After one month, Judy received a payment of \$5,000 from the lawyer for the return on her investment. Over a six month period, Judy made three more deposits in the amount of \$50,000. On making the third and final deposit, Judy inquired with the lawyer as to when she should expect to receive more returns on her investments. The lawyer told Judy that he would discuss this with the

friend and confirm with her later that day. The lawyer did not contact Judy. She tried contacting him but he did not return her calls. Judy made a claim against the Fidelity Fund. The matter was investigated by the LIV.

The Board decided to disallow her claim because the money was paid to the lawyer for investment purposes.

Under the Act, the Board generally cannot pay out compensation from the Fidelity Fund for money that has been entrusted to lawyers for investment purposes unless the money is held in the ordinary course of practice, in connection with the provision of legal services and the investment is made for the ancillary purpose of maintaining or enhancing the value of the money pending the completion of a legal matter or a stage of a legal matter.

Compliance statements

Freedom of Information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Board. The Board received one application during 2010-11. The applicant was provided with most of the documents sought and did not seek a review of the decision.

Making a Request

Access to documents may be obtained through a written request to the Board, as detailed in section 17 of the *Freedom of Information Act 1982*. In summary, the requirements for making a request are:

- it should be in writing
- it should identify as clearly as possible what documents are being requested
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of the Board should be addressed to the Freedom of Information Officer at:

Legal Services Board
Level 10, 330 Collins Street
MELBOURNE VIC 3000

Access charges may also apply once documents have been processed and a decision on access made; for example photocopying and search and retrieval charges. The Board has developed a Freedom of Information Policy which is available from the Board website or from the Board office on request. Further information regarding Freedom of Information can be found on FOI Online at www.foi.vic.gov.au

Compliance with the *Building Act 1993*

The Board does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

National Competition Policy

In 1995, all Australian Governments (Federal, State and Territory) agreed to review and, where appropriate, reform all existing legislative restrictions on competition. Under National Competition Policy, the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

The Board continues to comply with the requirements of the National Competition Policy.

Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act 2001* (the Whistleblowers Act) encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Board is subject to the *Whistleblowers Act*. The *Whistleblowers Act* provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken. The Board has developed a Whistleblowers Protection Policy which is available from the Board website or from the Board office on request. During 2010-11 there were no disclosures made regarding the Board and no disclosures referred by the Board to the Ombudsman.

Disclosure of improper conduct by the Board, or the Board staff, may be made to the following people:

The Director, Corporate and Governance
Legal Services Board
Level 10, 330 Collins Street
Melbourne VIC 3000
Tel: 9679 8000
Fax: 9679 8100
Email: admin@lsb.vic.gov.au

Alternatively disclosures may be made directly to the Ombudsman.

Ombudsman Victoria
Level 9, 459 Collins Street
(North tower)
Melbourne VIC 3000
Tel: 9613 6222
Toll Free: 1800 806 314
www.ombudsman.vic.gov.au
Email: ombudvic@ombudsman.vic.gov.au

Implementation of the Victorian Industry Participation Policy

In October 2003, the Victorian Parliament passed the *Victorian Industry Participation Policy Act 2003*, which requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy. Departments and public bodies are required to apply this policy to all tenders over \$3 million in metropolitan Melbourne, and \$1 million in regional Victoria. For the reporting period, the Board did not commence any contracts to which the policy applies.

Consultancies

Details of consultancies over \$100,000

The following table lists the consultants engaged in 2010-11 where the cost of the engagement was \$100,000 or above.

Details of consultancies under \$100,000

During 2010-11, the Board appointed 12 consultancies valued at less than \$100,000 each. The total value of these consultancies was \$1,247,588. Total approved project fees and expenditure for 2010-11 excludes GST.

CONSULTANT	PURPOSE OF CONSULTANCY	START DATE	END DATE	TOTAL APPROVED PROJECT FEE (EXCLUDING GST)	EXPENDITURE 1/7/10 TO 30/6/11 (EXCLUDING GST)	FUTURE EXPENDITURE (EXCLUDING GST)
Alpha West	IT support	1/07/10	30/06/13	\$160,000	\$147,688	\$165,000
Fujitsu	IT support	1/07/10	30/06/11	\$225,000	\$225,000	\$230,000
Fujitsu	Development of LSB Online – Phase 1	12/10/10	31/03/11	\$383,955	\$383,955	\$0

Additional information available on request

The Board maintains further information which is available on request to the relevant Ministers, the Members of Parliament and the public, subject to freedom of information requirements. Information retained includes:

- notifications and applications by legal entities and legal practitioners for registration
- a statement that declarations of pecuniary interests have been duly completed by all relevant officers
- details of publications produced by the Board about itself, and how these can be obtained
- details of changes in prices, fees, charges, rates and levies charged
- details of any major external reviews carried out
- details of major research and development activities undertaken
- details of overseas visits undertaken including a summary of the objectives and outcomes of each visit
- details of major promotional, public relations and marketing activities undertaken to develop community awareness of services
- details of assessments and measures undertaken to improve the occupational health and safety of employees
- a general statement on industrial relations and details of time lost through industrial accidents and disputes, and
- a list of major committees sponsored, the purposes of each committee and the extent to which the purposes have been achieved.

Office Based Environmental Impacts

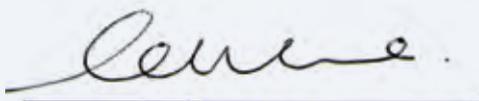
As previously noted, all staff, including those supporting the Board's functions are classified as employees of the LSC (see page 40 for explanation). As such, the summary of office based environmental impacts for Board staff is incorporated within the Office Based Environmental Impacts statement of the LSC's 2010-11 Annual Report, which is available on the LSC website at www.lsc.vic.gov.au

Performance of functions required under the *Legal Profession Act 2004*

A review of the Board's functions in 2010-11 reveals the Board has performed all the functions it was required to perform under the *Legal Profession Act 2004*.

June 2011 Attestation on compliance with the Australian/New Zealand Risk Management Standard

I, Colin Neave certify that the Legal Services Board has risk management processes in place consistent with the *Australian/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009)* and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Legal Services Board verifies this assurance and that the risk profile of the Legal Services Board has been critically reviewed within the last 12 months.



Colin Neave
Chairperson, Legal Services Board

2 September 2011

Delegated functions as at 30 June 2011

Pursuant to s.6.2.21(a) of the Act, the Board is required to report on delegations in force as at the end of the reporting period and those revoked during the reporting period. Figures 37 and 38 show the current delegations as at 30 June 2011.

Figure 37: Internal delegations made by the Board current as at 30 June 2011

SECTION / REGULATION / SCHEDULE	DATE OF DELEGATION	DESCRIPTION OF FUNCTION
<i>Delegations made to the Legal Services Commissioner</i>		
s.2.2.6(1)	4-Mar-10	apply to Tribunal for order that a person is a disqualified person
s.2.4.3(1)	4-Mar-10	grant local practising certificates
s.2.4.3(3)	4-Mar-10	determine conditions on local practising certificates
s.2.4.3(4)	4-Mar-10	conditions on local practising certificates
s.2.4.3(5)	4-Mar-10	conditions to appear on face of certificate
s.2.4.4	4-Mar-10	consider if a person is fit and proper to hold a local practising certificate
s.2.4.7	4-Mar-10	assess criteria for grant or renewal of local practising certificate
s.2.4.8(1)	4-Mar-10	receive application for grant or renewal of local practising certificate
s.2.4.9(4)	4-Mar-10	refund surcharge
s.2.4.9(5)	4-Mar-10	receive evidence of professional indemnity insurance
s.2.4.9(6)	4-Mar-10	give notice of failure to comply or to restore deficiency in trust account
s.2.4.9(7)	4-Mar-10	assess whether failure to comply or restore deficiency has been remedied
s.2.4.9(8)	4-Mar-10	request surrender of certificate
s.2.4.11	4-Mar-10	receive late application for local practising certificate on payment of surcharge
s.2.4.12	4-Mar-10	grant, renew or refuse local practising certificate
s.2.4.13	4-Mar-10	amend or issue new local practising certificate with conditions
s.2.4.14	4-Mar-10	impose conditions on local practising certificate
s.2.4.16	4-Mar-10	apply to the Tribunal to impose or vary conditions on local practising certificate pending criminal proceedings
s.2.4.18(3)	19-Mar-10	exempt a person (or reduce period) from the statutory condition on a local practising certificate that the person must only engage in supervised legal practice
s.2.4.21	4-Mar-10	amend, suspend or cancel local practising certificate & provide show cause notice
s.2.4.22	4-Mar-10	immediate suspension of local practising certificate
s.2.4.23	4-Mar-10	lift suspension of local practising certificate
s.2.4.24	4-Mar-10	other amendment or cancellation of local practising certificate
s.2.4.26	4-Mar-10	receive written statement from applicant for local practising certificate if show cause event applies
s.2.4.27	4-Mar-10	receive show cause notice and statement from holder of local practising certificate (except any function duty or power in 2.4.27 to approve the form of notice)
s.2.4.28	4-Mar-10	refuse to grant or renew, amend, suspend or cancel local practising certificate – failure to show fit & proper person
s.2.4.29	4-Mar-10	restrict entitlement to apply for local practising certificate for a specified period
s.2.4.30	4-Mar-10	receive surrendered local practising certificate
s.2.4.31	4-Mar-10	require return of local practising certificate
s.2.4.40	4-Mar-10	require provision of information or documents for purpose of considering an application for grant or renewal of local practising certificate
s.2.5.3	4-Mar-10	request criminal record check
s.2.5.4	4-Mar-10	require person to undergo health assessment
s.2.5.5	4-Mar-10	appoint health assessor
s.2.5.6	4-Mar-10	receive health assessment report

SECTION / REGULATION / SCHEDULE	DATE OF DELEGATION	DESCRIPTION OF FUNCTION
s.2.5.7	4-Mar-10	pay for health assessment
s.2.7.22	4-Mar-10	audit ILP
s.2.7.23	4-Mar-10	investigative power relating to audit of ILP
s.2.7.24	4-Mar-10	apply to the Supreme Court for order banning ILP
s.2.7.25	4-Mar-10	apply to the Supreme Court for order disqualifying an Australian legal practitioner from managing an ILP
s.2.7.26	4-Mar-10	disclose information to Australian Securities and Investments Commission
s.2.7.50	4-Mar-10	apply to Supreme Court for order prohibiting an Australian legal practitioner from being a partner in a multi-disciplinary partnership
s.2.8.21	19-Mar-10	grant or renewal of registration of foreign lawyers
s.2.8.22	19-Mar-10	requirement to grant or renew registration of foreign lawyers if criteria satisfied
s.2.8.23	19-Mar-10	refusal to grant or renew registration of foreign lawyers
s.2.9.3(1)	4-Mar-10	notification of temporary engagement of a supervised legal practitioner by a community legal centre
s.3.2.21	4-Mar-10	require law practice or Australian legal practitioner to provide information or documents regarding competition investigation
s.3.2.22	4-Mar-10	give opportunity to law practice or Australian legal practitioner to comment on adverse report regarding competition investigation
s.3.3.4	4-Mar-10	determine if money is trust money
s.3.3.27	4-Mar-10	request trust balance of any trust account
s.3.3.28	4-Mar-10	conduct trust investigation
s.3.3.29	4-Mar-10	appoint trust inspector
s.3.3.30(1)	4-Mar-10	issue identity card to trust inspector (except power to approve form of card)
s.3.3.47	4-Mar-10	receive trust inspector's report
s.3.3.48	4-Mar-10	determine if costs of investigation are payable by law practice
s.3.3.51(2)	19-Mar-10	exempt a person from the external examiner requirements
s.3.3.65	4-Mar-10	determine amount and timing of required statutory deposit
s.3.5.7	19-Mar-10	grant exemptions from professional indemnity requirements
s.3.6.7	4-Mar-10	receive claims against the fidelity fund about defaults
s.3.6.7(3)	4-Mar-10	require fidelity fund claimant to provide further information/verify claim
s.3.6.8	4-Mar-10	allow further period to lodge fidelity fund claim
s.3.6.12(1)	4-Mar-10	investigate fidelity fund claims
s.3.6.12(2)	4-Mar-10	require fidelity fund claimant to produce security, document or statement of evidence
s.3.6.21	4-Mar-10	notify applicant of delay in determination of fidelity fund claim
s.3.6.35	4-Mar-10	act as agent of corresponding authority – regarding a default to which a corresponding law applies
s.3.6.36(3)	4-Mar-10	act as agent of corresponding authority – to investigate concerted interstate defaults and other defaults involving interstate elements
s.7.2.5(1)	4-Mar-10	produce certificate stating whether person holds practising certificate
s.7.2.5(3)	4-Mar-10	certify copy of legal profession rules
s.7.2.6(b)	4-Mar-10	appoint investigator
s.7.2.8	4-Mar-10	receive investigator's report
s.7.2.10(1)(a)	4-Mar-10	file charge for offence under Act
s.7.2.13(1)	4-Mar-10	apply for injunction regarding conduct that constitutes contravention of Act/regulations or attempting to contravene Act/regulations
s.7.2.14	4-Mar-10	disclosure of information by local regulatory authorities
Sch.2 cl 4.5(2)	4-Mar-10	account to former RPA for costs of investigation recovered

SECTION / REGULATION / SCHEDULE	DATE OF DELEGATION	DESCRIPTION OF FUNCTION
Delegations made to the Legal Services Commissioner <i>continued</i>		
r.2.7.2(2)	4-Mar-10	publicise disqualifying order regarding ILP & multi-disciplinary partnership
r.2.7.2(3)	4-Mar-10	give notice of disqualifying order regarding ILP to corresponding authority
r.3.3.38(1)(a)	4-Mar-10	require statement as to whether trust money held by law practice or clerk
r.3.3.38(1)(b)	4-Mar-10	require statement specifying categories of trust money held
r.3.3.40(3)	4-Mar-10	approve external examiner otherwise not eligible
r.3.3.41	4-Mar-10	receive notice of appointment of external examiner and examiner's consent
r.3.3.42(1)	4-Mar-10	termination of appointment of external examiner – may require law practice or clerk to provide show cause
r.3.3.42(2)	4-Mar-10	require termination of appointment of external examiner
r.3.3.43(2)	4-Mar-10	approve external examiner otherwise disqualified
r.3.3.44(3)	4-Mar-10	approve request for termination of external examiner by law practice or clerk
r.3.3.44(4)	4-Mar-10	require evidence re request for termination of external examiner by law practice or clerk
r.3.3.44(5)	4-Mar-10	receive notice of termination of external examiner by law practice or clerk (except any function duty or power in 3.3.44(5) to approve the form of notification)
r.3.3.46(1)	4-Mar-10	receive statement of trust money within 1 month after end of audit year (except any function duty or power in 3.3.46(1) to approve the form of notification)
r.3.3.52	19-Mar-10	exempt a law practice or approved clerk from complying with the trust money and trust account provisions
Delegations made to the Director Legal and Policy and General Counsel		
s.2.4.9(6)	4-Mar-10	give notice of failure to comply or restore deficiency in trust account
s.2.4.18(3)	4-Mar-10	exempt a person (or reduce period) from the statutory condition on a local practising certificate that the person must only engage in supervised legal practice
s.2.6.5(2)	4-Mar-10	give notice to corresponding authorities of refusal to grant a local practising certificate, or to suspend, cancel or refuse to renew local practising certificate
s.2.6.5(5)	4-Mar-10	give notice to corresponding authorities of a condition imposed on a local practising certificate
s.2.6.10(2)	4-Mar-10	cancel local practising certificate after receiving official written notification of a person's name being removed from interstate roll
s.2.6.10(3)	4-Mar-10	give notice to person whose certificate Board proposes to cancel
s.2.6.10(4)	4-Mar-10	give notice of person whose certificate has been cancelled
s.2.6.13	4-Mar-10	give information received from interstate authorities to local authorities
Part 2.8, Division 5	4-Mar-10	grant or renewal of registration of foreign lawyers
s.3.3.51(2)	4-Mar-10	exempt a person from the external examiner requirements
s.3.5.3	4-Mar-10	Australian registered foreign lawyers required to insure
s.3.5.7	4-Mar-10	grant exemptions from professional indemnity requirements
s.3.6.22	4-Mar-10	notify claimant of decision about fidelity fund claim
s.3.6.33	4-Mar-10	forward claims to a corresponding authority about a default to which a corresponding law applies
s.3.6.34	4-Mar-10	request corresponding authority to act as agent to process or investigate claim
s.3.6.36	4-Mar-10	act as agent of corresponding authority – to investigate concerted interstate defaults and other defaults involving interstate elements
s.3.6.39(1)	4-Mar-10	request another jurisdiction to investigate aspects of claim
r.3.3.52	4-Mar-10	exempt a law practice or approved clerk from complying with the trust money and trust account provisions
Delegations made to the Director Corporate and Governance		
s.2.4.9(6)	4-Mar-10	give notice of failure to comply or restore deficiency in trust account
s.3.3.68	4-Mar-10	exempt a law practice or an approved clerk from statutory deposit requirements

Figure 38: External delegations made by the Board current as at 30 June 2011

SECTION / REGULATION / SCHEDULE	DATE OF DELEGATION	DESCRIPTION OF FUNCTION
<i>Delegations made to the Law Institute of Victoria</i>		
s.2.2.6(1)	4-Mar-10	apply to Tribunal for order that a person is a disqualified person
s.2.4.3 (1)	4-Mar-10	grant local practising certificates
s.2.4.3(3)	4-Mar-10	determine conditions on local practising certificates
s.2.4.3(5)	4-Mar-10	conditions to appear on face of certificate
s.2.4.4	4-Mar-10	consider if a person is fit and proper to hold a local practising certificate
s.2.4.7	4-Mar-10	assess criteria for grant or renewal of local practising certificate
s.2.4.8(1)	4-Mar-10	receive application for grant or renewal of local practising certificate
s.2.4.9(4)	4-Mar-10	refund surcharge
s.2.4.9(5)	4-Mar-10	receive evidence of professional indemnity insurance
s.2.4.9(6)	4-Mar-10	give notice of failure to comply or to restore deficiency in trust account
s.2.4.9(7)	4-Mar-10	assess whether failure to comply or restore deficiency has been remedied
s.2.4.9(8)	4-Mar-10	request surrender of local certificate
s.2.4.11	4-Mar-10	receive late application for local practising certificate on payment of surcharge
s.2.4.12	4-Mar-10	grant, renew or refuse local practising certificate
s.2.4.13	4-Mar-10	amend or issue new local practising certificate with conditions
s.2.4.14	4-Mar-10	impose conditions on local practising certificate
s.2.4.16	4-Mar-10	apply to the Tribunal to impose or vary conditions on local practising certificate pending criminal proceedings
s.2.4.21	4-Mar-10	amend, suspend or cancel local practising certificate & provide show cause notice
s.2.4.22	4-Mar-10	immediate suspension of local practising certificate
s.2.4.23	4-Mar-10	lift suspension of local practising certificate
s.2.4.24	4-Mar-10	other amendment or cancellation of local practising certificate
s.2.4.26	4-Mar-10	receive written statement from applicant for local practising certificate if show cause event applies
s.2.4.27	4-Mar-10	receive show cause notice and statement from holder of local practising certificate (except any function duty or power in 2.4.27 to approve the form of notice)
s.2.4.28	4-Mar-10	refuse to grant or renew, amend, suspend or cancel local practising certificate – failure to show fit & proper person
s.2.4.29	4-Mar-10	restrict entitlement to apply for local practising certificate for a specified period
s.2.4.30	4-Mar-10	receive surrendered local practising certificate
s.2.4.31	4-Mar-10	require return of local practising certificate
s.2.4.40	4-Mar-10	require provision of information or documents for purpose of considering an application for grant or renewal of local practising certificate
s.2.5.3	4-Mar-10	request criminal record check
s.2.5.4	4-Mar-10	require person to undergo health assessment
s.2.5.5	4-Mar-10	appoint health assessor
s.2.5.6	4-Mar-10	receive health assessment report
s.2.5.7	4-Mar-10	pay for health assessment
s.2.9.3(1)	4-Mar-10	receive notice of engagement of temporary supervising legal practitioner at community legal centre
s.3.3.4	4-Mar-10	determine if money is trust money
s.3.3.27	4-Mar-10	request trust balance of any trust account
s.3.3.28	4-Mar-10	conduct trust investigation

SECTION / REGULATION / SCHEDULE	DATE OF DELEGATION	DESCRIPTION OF FUNCTION
Delegations made to the Law Institute of Victoria <i>continued</i>		
s.3.3.29	4-Mar-10	appoint trust inspector
s.3.3.47	4-Mar-10	receive trust inspector's report
s.3.3.54	4-Mar-10	receive annual report of trust records examination or statutory declaration
s.3.6.7(3)	4-Mar-10	require fidelity fund claimant to provide further information/verify claim
s.3.6.12(1)	4-Mar-10	investigate fidelity fund claims
s.3.6.12(2)	4-Mar-10	require fidelity fund claimant to produce security, document or statement of evidence
s.6.2.24	4-Mar-10	require a law practice & local legal practitioner to notify Board of change of information kept on Register (excluding notifications of new law practices) and it is solely in respect of notifications received by the delegate in the course of it performing the functions duties and powers in Part 2.4 of the Act delegated to it by the Board
s.7.2.5(1)	4-Mar-10	produce certificate stating whether person holds practising certificate
s.7.2.6(b)	4-Mar-10	appoint investigator
s.7.2.8	4-Mar-10	receive investigator's report
s.7.2.10(1)(a)	4-Mar-10	file charge for offence under Act - only in respect of local lawyers and local legal practitioners
s.7.2.13(1)	4-Mar-10	apply for injunction regarding conduct that constitutes contravention of Act/regulations or attempting to contravene Act/regulations other than in relation to unqualified practice
r.3.3.38(1)(a)	4-Mar-10	require statement as to whether trust money held by practice or clerk
r.3.3.38(1)(b)	4-Mar-10	require statement specifying categories of trust money held
r.3.3.40(3)	4-Mar-10	approve external examiner otherwise not eligible
r.3.3.41	4-Mar-10	receive notice of appointment of external examiner and examiner's consent
r.3.3.42(1)	4-Mar-10	termination of appointment of external examiner – may require law practice or clerk to provide show cause
r.3.3.42(2)	4-Mar-10	require termination of appointment of external examiner
r.3.3.43(2)	4-Mar-10	approve external examiner otherwise disqualified
r.3.3.44(2)	4-Mar-10	prior approval of Board required for termination of external examiner by law practice or clerk
r.3.3.44(3)	4-Mar-10	approve request for termination of external examiner by law practice or clerk
r.3.3.44(4)	4-Mar-10	require evidence regarding request for termination of external examiner by law practice or clerk
r.3.3.44(5)	4-Mar-10	receive notice of termination of external examiner by law practice or clerk (except any function duty or power in 3.3.44(5) to approve the form of notification)
r.3.3.46(1)	4-Mar-10	receive statement of trust money within 1 month after end of audit year (except any function duty or power in 3.3.46(1) to approve the form of information)
Delegations made to the CEO of the Law Institute of Victoria		
s.3.3.4	4-Mar-10	determine if money is trust money
s.3.3.28	4-Mar-10	conduct trust investigation
s.3.3.29	4-Mar-10	appoint trust inspector
s.3.3.47	4-Mar-10	receive trust investigator's report
Rules 6,7,8 and 9 of the <i>Continuing Professional Development Rules 2008</i> .	30-Apr-08	functions, duties and powers as provided by the LSB <i>Continuing Professional Development Rules 2008</i> .
Delegations made to the General Manager, Professional Standards, Law Institute of Victoria		
Rules 6,7,8 and 9 of the <i>Continuing Professional Development Rules 2008</i> .	30-Apr-08	functions, duties and powers as provided by the LSB <i>Continuing Professional Development Rules 2008</i> .

SECTION / REGULATION / SCHEDULE	DATE OF DELEGATION	DESCRIPTION OF FUNCTION
<i>Delegations made to the Victorian Bar Ltd</i>		
s.2.2.6(1)	4-Mar-10	apply to Tribunal for order that a person is a disqualified person
s.2.4.3 (1)	4-Mar-10	grant local practising certificates
s.2.4.3(3)	4-Mar-10	determine conditions on local practising certificates
s.2.4.3(5)	4-Mar-10	conditions to appear on face of certificate
s.2.4.4	4-Mar-10	consider if a person is fit and proper to hold a local practising certificate
s.2.4.7	4-Mar-10	assess criteria for grant or renewal of local practising certificate
s.2.4.8(1)	4-Mar-10	receive application for grant or renewal of local practising certificate
s.2.4.9(4)	4-Mar-10	refund surcharge
s.2.4.9(5)	4-Mar-10	receive evidence of professional indemnity insurance
s.2.4.9(6)	4-Mar-10	Give notice of failure to comply or restore deficiency
s.2.4.9(7)	4-Mar-10	assess whether failure to comply or restore deficiency has been remedied
s.2.4.9(8)	4-Mar-10	request surrender of local certificate
s.2.4.11	4-Mar-10	receive late application for local practising certificate on payment of surcharge
s.2.4.12	4-Mar-10	grant, renew or refuse local practising certificate
s.2.4.13	4-Mar-10	amend or issue new local practising certificate with conditions
s.2.4.14	4-Mar-10	impose conditions on local practising certificate
s.2.4.16	4-Mar-10	apply to the Tribunal to impose or vary conditions on local practising certificate pending criminal proceedings
s.2.4.21	4-Mar-10	amend, suspend or vary local practising certificate & provide show cause notice
s.2.4.22	4-Mar-10	immediate suspension of local practising certificate
s.2.4.23	4-Mar-10	lift suspension of local practising certificate
s.2.4.24	4-Mar-10	other amendment or cancellation of local practising certificate
s.2.4.26	4-Mar-10	receive written statement from applicant for local practising certificate if show cause event applies
s.2.4.27	4-Mar-10	receive show cause notice and statement from holder of local practising certificate (except any function, duty or power in 2.4.27 to approve the form of notice)
s.2.4.28	4-Mar-10	refuse to grant or renew, amend, suspend or cancel local practising certificate – failure to show fit & proper person
s.2.4.29	4-Mar-10	restrict entitlement to apply for local practising certificate for a specified period
s.2.4.30	4-Mar-10	receive surrendered local practising certificate
s.2.4.31	4-Mar-10	require return of local practising certificate
s.2.4.40	4-Mar-10	require provision of information or documents for purpose of considering an application for grant or renewal of local practising certificate
s.2.5.3	4-Mar-10	request criminal record check
s.2.5.4	4-Mar-10	require person to undergo health assessment
s.2.5.5	4-Mar-10	appoint health assessor
s.2.5.6	4-Mar-10	receive health assessment report
s.2.5.7	4-Mar-10	pay for health assessment
s.2.9.3(1)	4-Mar-10	receive notice of engagement of temporary supervising legal practitioner at community legal centre
s.3.3.4	4-Mar-10	determine if money is trust money
s.3.3.27	4-Mar-10	request trust balance of any trust account

SECTION / REGULATION / SCHEDULE	DATE OF DELEGATION	DESCRIPTION OF FUNCTION
Delegations made to the Victorian Bar Ltd continued		
s.3.3.28	4-Mar-10	conduct trust investigation
s.3.3.29	4-Mar-10	appoint trust inspector
s.3.3.47	4-Mar-10	receive trust inspector's report
s.3.3.54	4-Mar-10	receive annual report of trust records examination or statutory declaration
s.3.6.7(3)	4-Mar-10	require fidelity fund claimant to provide further information/verify claim
s.3.6.12(1)	4-Mar-10	investigate fidelity fund claims
s.3.6.12(2)	4-Mar-10	require fidelity fund claimant to produce security, document or statement of evidence
s.6.2.24	4-Mar-10	require a law practice & local legal practitioner to notify Board of change of information kept on Register (excluding notifications of new law practices) and it is solely in respect of notifications received by the delegate in the course of it performing the functions duties and powers in Part 2.4 of the Act delegated to it by the Board
s.7.2.5(1)	4-Mar-10	produce certificate stating whether person holds practising certificate
s.7.2.6(b)	4-Mar-10	appoint investigator
s.7.2.8	4-Mar-10	receive investigator's report
s.7.2.10(1)(a)	4-Mar-10	file charge for offence under Act - only in respect of local lawyers and local legal practitioners
s.7.2.13(1)	4-Mar-10	apply for injunction re conduct that constitutes contravention of Act/regulations or attempting to contravene Act/regulations other than in relation to unqualified practice
r.3.3.38(1)(a)	4-Mar-10	require statement as to whether trust money held by practice or clerk
r.3.3.38(1)(b)	4-Mar-10	require statement specifying categories of trust money held
r.3.3.40(3)	4-Mar-10	approve external examiner otherwise not eligible
r.3.3.41	4-Mar-10	receive notice of appointment of external examiner and examiner's consent
r.3.3.42(1)	4-Mar-10	termination of appointment of external examiner – may require law practice or clerk to provide show cause
r.3.3.42(2)	4-Mar-10	require termination of appointment of external examiner
r.3.3.43(2)	4-Mar-10	approve external examiner otherwise disqualified
r.3.3.44(2)	04-Mar-10	prior approval by Board required for termination by external examiner by law practice or clerk
r.3.3.44(3)	4-Mar-10	approve request for termination of external examiner by law practice or clerk
r.3.3.44(4)	4-Mar-10	require evidence regarding request for termination of external examiner by law practice or clerk
r.3.3.44(5)	4-Mar-10	receive notice of termination of external examiner (except any function duty or power in 3.3.44(5) to approve the form of notification)
r.3.3.46(1)	4-Mar-10	receive statement of trust money within 1 month after end of audit year (except any function duty or power in 3.3.46(1) to approve the form of information)
Delegations made to the Continuing Legal Education Committee of the Victorian Bar Ltd		
Rules 6,7,8 and 9 of the <i>Continuing Professional Development Rules 2008</i> .	30-Apr-08	functions, duties and powers as provided by the LSB <i>Continuing Professional Development Rules 2008</i> .

Revocation of delegations

The Board did not revoke any delegations during the reporting year.

Standard Delegation Conditions (apply to all unless otherwise noted):

1. the delegation does not prevent the discharge, exercise or performance by the Board of the functions duties and powers delegated;
2. if the Board gives notice to the delegate that the Board intends

to discharge, exercise or perform its functions duties and powers delegated, the delegate shall not commence to discharge, exercise or perform those functions duties and powers, or shall cease to do so, as the case may be; and

3. the exercise of the delegations be consistent with any applicable Board policy.

Financial report

For the year ended 30 June 2011

This financial report covers the Legal Services Board (Board) as an individual entity and is presented in Australian currency.

The Legal Services Board is a not-for-profit government agency of the state of Victoria. The Board was established pursuant to the Legal Profession Act 2004. Its principal address is Level 10, 330 Collins Street Melbourne.

A description of the nature of the Board's operations and its principal activities is included in the report of operations on pages 3 to 56 which does not form part of this financial report.

For queries in relation to our reporting please call 03 9679 8000, e-mail www.lsb.vic.gov.au or see our website www.lsb.vic.gov.au

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Accountable Officer's and Chief Finance and Accounting Officer's declaration

We certify that the attached financial report for the Legal Services Board has been prepared in accordance with Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards, including interpretations, and other mandatory professional reporting requirements.

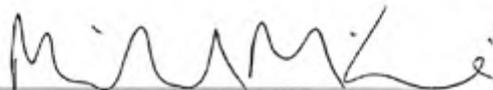
We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and notes forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and financial position of the Legal Services Board at 30 June 2011.

We are not aware of any circumstance which would render any particulars included in the financial report to be misleading or inaccurate.

We authorise the attached financial statements for issue on the 2nd September 2011.



C Neave
Chairperson
Legal Services Board
Melbourne
2nd September 2011



M McGarvie
Chief Executive Officer
Legal Services Board
Melbourne
2nd September 2011



J Ireson
Chief Finance and Accounting Officer
Legal Services Board
Melbourne
2nd September 2011

Comprehensive operating statement

For the year ended 30 June 2011

		2011	2010
	Notes	\$'000	\$'000
Income from transactions			
Interest and dividends	3a	70,171	47,397
Other income	3b	7,007	6,735
Total income from transactions		77,178	54,132
Expenses from transactions			
Grants and other payments	4a	(47,997)	(44,388)
Payments to service providers	4b	(8,171)	(7,706)
Fidelity fund claims costs and movement in provisions	4c	2,976	(11,614)
Depreciation and amortisation expense	4d	(752)	(787)
Directors fees	4e	(274)	(248)
Other operating expenses	4f	(3,367)	(3,159)
Total expenses from transactions		(57,585)	(67,902)
Net result from transactions (net operating balance)		19,593	(13,770)
Other economic flows included in net result			
Net gain/(loss) on financial instruments	5	3,102	5,512
Total other economic flows included in net result		3,102	5,512
Net result		22,695	(8,258)
Other economic flows - other non-owner changes in equity		-	-
Comprehensive result		22,695	(8,258)

The comprehensive operating statement should be read in conjunction with the occupying notes included on pages 64 to 99.

Balance sheet

As at 30 June 2011

		2011	2010
	Notes	\$'000	\$'000
Assets			
Financial assets			
Cash and deposits	6a,17	436,291	417,702
Receivables	7,17	5,303	4,566
Investments and other financial assets	8	209,323	191,121
Total financial assets		650,917	613,389
Non-financial assets			
Plant and equipment	9	1,221	1,316
Intangible assets	10	560	480
Prepayments		91	30
Total non-financial assets		1,872	1,826
Total assets		652,789	615,215
Liabilities			
Payables	11,17	8,164	6,732
Provisions	12	11,330	17,878
Income received in advance	13	6,380	6,065
Statutory deposit account balances	14,17	504,366	484,686
Total liabilities		530,240	515,361
Net assets		122,549	99,854
Equity			
Accumulated surplus		122,549	99,854
Net worth		122,549	99,854

The balance sheet should be read in conjunction with the occupying notes included on pages 64 to 99.

Statement of changes in equity

For the year ended 30 June 2011

CHANGES DUE TO			
2011	EQUITY AT 1 JULY 2010	TOTAL COMPREHENSIVE RESULTS	EQUITY AT 30 JUNE 2011
	\$'000	\$'000	\$'000
Accumulated surplus	99,854	22,695	122,549
Total equity at end of the financial year	99,854	22,695	122,549

CHANGES DUE TO			
2010	EQUITY AT 1 JULY 2009	TOTAL COMPREHENSIVE RESULTS	EQUITY AT 30 JUNE 2010
	\$'000	\$'000	\$'000
Accumulated surplus	108,112	(8,258)	99,854
Total equity at end of the financial year	108,112	(8,258)	99,854

The statement of changes in equity should be read in conjunction with the accompanying notes included on pages 64 to 99.

Cash flow statement

For the year ended 30 June 2011

		2011	2010
	Notes	\$'000	\$'000
Cash flows from operating activities			
Receipts			
Interest received		69,950	46,221
Receipts from practising certificate fees and Fidelity Fund contributions		6,672	7,447
Goods and Services Tax recovered from ATO		1,218	981
Total receipts		77,840	54,649
Payments			
Payments to Fidelity Fund claims, suppliers and employees		(7,917)	(6,942)
Payments of grants		(55,177)	(51,693)
Total payments		(63,094)	(58,635)
Net cash flows from/(used in) operating activities	6b	14,746	(3,986)
Cash flows from investing activities			
Payments for non-financial assets	9	(303)	(109)
Payments for intangible assets	10	(434)	(49)
Payments for investments and other financial assets		(15,100)	(48,012)
Net cash flows from/(used in) investing activities		(15,837)	(48,170)
Cash flows from financing activities			
Deposits into statutory deposit accounts by solicitors		428,096	399,479
Withdrawal from statutory deposit accounts by solicitors		(408,416)	(312,915)
Net cash flows from/(used in) financing activities		19,680	86,564
Net increase/(decrease) in cash and cash equivalents		18,589	34,408
Cash and cash equivalents at beginning of the financial year		417,702	383,294
Cash and cash equivalents at end of year		436,291	417,702

The above cash flow statement should be read in conjunction with the accompanying notes included on pages 64 to 99.

1. Summary of significant accounting policies

The annual financial statements represent the audited general purpose financial statements for the Board.

The purpose of the report is to provide users with information about the Board's stewardship of resources entrusted to it.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in note 25.

The annual financial statements were authorised by the Chairman of the Legal Services Board on 2nd September 2011.

A. Statement of Compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AAS) which include interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

B. Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Board.

In the application of AASs, judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The 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. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the next year, are disclosed throughout the notes to the financial statements.

The report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset is generally based on its depreciated replacement value;
- the Fidelity Fund claims provision that are calculated with regard to actuarial assessments; and
- available-for-sale investments which are measured at fair value with movements reflected in equity until the asset is derecognised.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

C. Reporting Entity

The financial statements cover the Board as an individual reporting entity and additional disclosure has been included in the notes to the financial statements for the Public Purpose Fund and Legal Practitioner's Fidelity Fund. The Board commenced on 12 December 2005 following the proclamation of the *Legal Profession Act 2004*. Its principal address is:

**Legal Services Board
Level 10
330 Collins Street
MELBOURNE VIC 3000**

D. Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of financial statements*.

'Transactions' and 'other economic flows' are defined by the *Australian system of government finance statistics: concepts, sources and methods* 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics (see Note 25).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market remeasurements. They include:

- gains or losses from disposals, revaluations and impairments of non-financial physical and intangible assets; and
- fair value changes of financial assets.

The net result is equivalent to profit or loss derived in accordance with AASs.

Balance Sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of cash flows*.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

E. Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

Interest and dividend income

Interest includes interest received on deposits and other investments and the unwinding over time of discounts on financial assets.

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported as part of income from other economic flows forming part of the total in the net result forming part of the total change in net worth in the comprehensive result.

Dividend income is recognised when the right to receive payment is established.

Practising certificate fees

Practising certificate fees are prescribed by regulation under the *Legal Profession Act 2004*. The fees are payable by practitioners in order to engage in legal practice.

Practising certificates for the financial year 1 July 2011 to 30 June 2012 are required by legislation to be paid and issued prior to 30 June 2011. Income from such practising certificates has been accounted for as income received in advance.

Fidelity Fund contributions

Pursuant to section 6.7.25(1) of the *Legal Professions Act 2004* fidelity fund contributions are determined by the Board. The contributions are payable at the same time as the practising certificate fees.

Fidelity Fund recoveries

Fidelity Fund recoveries are received by the Board as a result of the exercise of a right and remedy. The recoveries are recognised when received.

All income received by the Board is generally required to be paid into the Public Purpose Fund with the exception of the Fidelity Fund contributions which are paid into the Legal Practitioners' Fidelity Fund.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result.

1. Summary of significant accounting policies

continued

F. Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Grants and other payments

Grants and other payments to third parties (other than contributions to owners) are recognised as an expense in the reporting period in which they are paid or payable. Refer to *Glossary of terms and style conventions* in Note 25 for an explanation of grants and other transfers.

Depreciation and amortisation

All plant and equipment and other non-financial physical assets that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1 (j) for the depreciation policy for leasehold improvements.

The following are typical estimated useful lives for the different asset classes for current and prior years:

	2011	2010
Leasehold improvements	10 years	10 years
Office equipment	5 to 10 years	5 to 10 years
Office furniture	5 to 10 years	5 to 10 years
Computer equipment	3 to 5 years	3 to 5 years
Intangible assets	5 years	5 years

Intangible assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight-line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The consumption of intangible non-produced assets with finite useful lives is not classified as a transaction, but as amortisation and is included in the net result of another economic flow.

Intangible assets with indefinite useful lives are not depreciated or amortised, but are tested annually for impairment.

Directors fees

The amount charged to the comprehensive operating statement in respect of directors fees represents fees set by the Governor-in-Council.

Other operating expenses

Other operating expenses include supplies and services, project and major grants and other operating costs generally represent the day-to-day running costs, including maintenance costs, and are incurred in the normal operation of the Board. These items are recognised as an expense in the reporting period in which they are incurred.

Recharge of services

The Board to the Legal Services Commissioner (LSC)

Expenses incurred by the Board for occupancy, depreciation and other relevant operating costs have been proportioned before being expensed and are charged directly to the LSB and LSC.

LSC to the Board

Under section 6.4.1 of the *Legal Profession Act 2004*, staff supporting the activities of the Board are classified as employees of the LSC, who employs all staff under Part 3 of the *Public Administration Act 2004*.

The LSC recharges staff salaries and on costs to the Board for those staff undertaking Board functions.

Bad and doubtful debts

Refer to Note 1 (l) *Impairment of financial assets*.

G. Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Impairment of non-financial assets

Refer to Note 1 (l) *Impairment of financial assets*.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes as follows:

- realised and unrealised gains and losses;
- impairment and reversal of impairment for financial instruments at amortised cost; and
- disposals of financial assets.

Revaluations of financial instruments at fair value

Refer to Note 1 (H) *Financial Instruments*.

Fidelity Fund claims cost and movement in provisions

Fidelity Fund claims costs includes capital and interest claims paid, the movement in the outstanding claims liability and costs associated with the administration of the fidelity fund.

Details relating to the Fidelity Fund provisions are reported in note 1 *Provisions- Fidelity Fund*.

Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows include the gains or losses from the transfer of amounts from the reserves and/or accumulated surplus to net result due to disposal or derecognition or reclassification.

H. Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Where relevant, for note disclosure purposes, a distinction is made between those financial assets and liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Loans and receivables are measured at fair value.

Receivables category includes cash and deposits (refer to Note 1 (I)), term deposits with maturity greater than three months, trade receivables and other receivables.

Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method.

Financial instrument liabilities measured at amortised cost include all payables, deposits held and interest-bearing arrangements other than those designated at fair value through profit or loss.

I. Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an original maturity of three months or less, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Receivables

Receivables consist of:

- trade debtors in relation to goods and services;
- accrued income; and
- GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less an allowance for impairment.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified (refer to Note 1(I) *Impairment of financial assets*).

Investments and other financial assets

Investments are classified in the following categories;

- financial assets at fair value through profit or loss; and
- receivables.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Any dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the assets have expired; or
- the Board retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Board has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1. Summary of significant accounting policies continued

Where the Board has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Board's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period the Board assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and allowance for doubtful receivables are classified as 'other economic flows' in the net result.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments professional judgement is applied in assessing materiality and using estimates, averages and computational shortcuts in accordance with AASB 136 *Impairment of assets*.

J. Non-financial assets

Plant and equipment

All non-financial current physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

Where an asset is received for no or nominal consideration, the cost is the asset's fair value at the date of acquisition.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1 (I) *Impairment of non-financial assets*.

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value, in accordance with FRD 103D *Non-Current Physical Assets issued by the Minister for Finance*.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in 'Other economic flows- other movements in equity' and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as other economic flows in the net result, except that the net revaluation decrease is recognised in 'Other economic flows- other movements in equity' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of plant and equipment. The net revaluation decrease recognised in 'Other economic flows- other movements in equity' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of plant and equipment, are offset against one another within the class but are not offset in respect of assets in different classes. Any revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

Intangible assets

Purchased intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Board.

Where the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

Other non-financial assets

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period.

Impairment of non-financial assets

Refer to Note 1 (F) *Other economic flows included in net result*.

K. Liabilities

Payables

Payables consist predominantly of accounts payable and other sundry liabilities. Accounts payable represent liabilities for goods and services provided to the Board prior to the end of the financial year that are unpaid, and arise when the Board becomes obliged to make future payments in respect of the purchase of these goods and services.

Other liabilities included in payables consist of accrued expenses, goods and services tax and income tax payables.

Payables are recognised at fair value.

Provisions- Fidelity Fund

Provisions are recognised when the Board has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

The Board appointed actuaries to carry out the annual independent actuarial assessment of the liability of the Legal Practitioners Fidelity Fund, as required by section 6.7.25 of the *Legal Profession Act 2004*.

The Fidelity Fund Liability for outstanding claims is in respect of claims incurred but not yet paid, claims incurred but not yet lodged, and the anticipated direct and indirect costs of settling those claims

Incurred But Not lodged (IBNL) are incidents where a defalcation has occurred but the claim amount has not yet been lodged. IBNL claims arise from solicitors in respect of whom some claims amounts have already been lodged as well as solicitors whose defalcations have yet to be discovered.

Payables- grants

The Board's liability for grants is in respect of grants approved during 2010-11 but not yet paid. In some cases, the grants will be paid in instalments over a period of two or three years.

Statutory Deposit account balances (SDA)

Each law practice with Trust Accounts has an individual SDA held in their name by the Board, the balance in this account is linked to their Trust Account. The liability represents the total sum of their individual SDA balances.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

L. Equity

Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

M. Commitments

Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable. In addition, where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated.

N. Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

O. Accounting for the Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

P. Events after the reporting period

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Board and other parties, the transactions are only recognised where the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the reporting period and which may have a material impact on the results of subsequent reporting periods.

Q. Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

1. Summary of significant accounting policies

continued

R. AASs issued that are not yet effective

Certain new AASs have been published that are not mandatory for 30 June 2011 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Board of their applicability and early adoption where applicable.

As at 30 June 2011, the following standards and interpretations that are applicable to the Board had been issued but were not mandatory for the financial year ending 30 June 2011. Standards and Interpretations that are not applicable to the Board have been omitted. The Board has not early adopted these standards.

STANDARD/ INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT FINANCIAL STATEMENTS
AASB 9 Financial instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>).	Beginning 1 January 2013	Detail of impact is still being assessed.
AASB 124 Related party disclosures (Dec 2009)	Government related entities have been granted partial exemption with certain disclosure requirements.	Beginning 1 January 2011	Preliminary assessment suggests that impact is insignificant. However, the Legal Services Board is still assessing the detailed impact and whether to early adopt.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.	Beginning 1 January 2013	The Victorian Government is currently considering the impact of Reduced Disclosure Requirements (RDRs) for certain public sector entities and has not decided if RDRs will be implemented to the Victorian Public Sector.
AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12]	This gives effect to consequential changes arising from the issuance of AASB 9.	Beginning 1 January 2013.	Detail of impact is still being assessed.

STANDARD/ INTERPRETATION	SUMMARY	APPLICABLE FOR ANNUAL REPORTING PERIODS BEGINNING ON	IMPACT FINANCIAL STATEMENTS
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This standard makes amendments to many AASs, including Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities.	Beginning 1 July 2013	Does not affect financial measurement or recognition, so is not expected to have any impact on financial result or position. May reduce some note disclosures in financial statements.
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]</i>	This standard makes numerous improvements designed to enhance the clarity of standards.	Beginning 1 January 2011	No significant impact on the financial statements.
AASB 2010- 5 <i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]</i>	This amendment contains editorial corrections to a range of AASs and Interpretations, which includes amendments to reflect changes made to the text of IFRSs by the IASB.	Beginning 1 January 2011	No significant impact on the financial statements.
AASB 2010- 7 <i>Amendments to Australian Accounting Standards arising from AASB 9 [December 2010] [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]</i>	These amendments are in relation to the introduction of AASB 9.	Beginning 1 January 2013.	This amendment may have an impact on departments and public sector bodies as AASB 9 is a new standard and it changes the requirements of numerous standards. Detail of impact is still being assessed.
AASB 2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project- Reduced Disclosure Requirements [AASB 101 & AASB 1054]</i>	The objective of this amendment is to include some additional disclosure from the Trans-Tasman Convergence Project and to reduce disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards- Reduced Disclosure Requirements.	Beginning 1 July 2013	The Victorian Government is currently considering the impact of Reduced Disclosure Requirements (RDRs) and has not decided if RDRs will be implemented to the Victorian Public Sector.
AASB 2011-3 <i>Amendments to Australian Accounting Standards- Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]</i>	This amends AASB 1049 to clarify the definition of the ABS GFS Manual, and to facilitate the adoption of changes to the ABS GFS Manual and related disclosures.	Beginning 1 July 2012	This amendment provides clarification to users on the version of the ABS GFS Manual to be used and what to disclose if the latest ABS GFS Manual is not used. No impact on performance measurements will occur.

2. Funds administered by the Board

The Board commenced on 12 December 2005 following the proclamation of the *Legal Profession Act 2004*.

The Board is an independent statutory authority with perpetual succession, and a public entity, but it does not represent the Crown. The Attorney-General, the Hon. Robert Clark MP is the responsible Minister.

The Board's statutory objective as stated in s.6.2.3 of the Act are to:

- ensure the effective regulation of the legal profession and the maintenance of professional standards.
- address the concerns of clients of law practices and legal practitioners through the regulatory system and provide for the protection of legal services.
- ensure the adequate measurement of trust accounts, and
- ensure that the Victorian system is at the forefront of regulation and legal practitioners.

The Board commenced on 12 December 2005 following the proclamation of the *Legal Profession Act 2004*.

Public Purpose Fund comprises:

Statutory Deposit Account (SDA): Section 6.7.4

Each law practice with Trust Accounts has an individual SDA held in their name by the Board, the balance in this account is linked to their trust account. Law practices are required to have deposited in their SDA, 70% of the sum of the lowest balance in their trust account during the quarter plus the SDA balance on the last day of the quarter. The SDA balance in the Board Financial Statements is the sum of the individual SDAs.

General Account: Section 6.7.3

Comprises interest from Law Practices Residual Trust Accounts, Statutory Deposit Account Investments, and fines as a result of hearings by the Legal Practice List at the Victorian Civil and Administration Tribunal (VCAT).

Under Section 3.3.59 the LSB can make arrangements with banks for the keeping of trust accounts. Under the arrangements in place, interest earned on law practices trust accounts is received by the LSB and paid to the General Account of the Public Purpose Fund.

Funding for the LSB, VCAT (Legal List), the Council of Legal Education and Board of Examiners, the LSC, and payments to professional associations for continuing legal education programs and other programs are debited to this account.

The LSB has two operating accounts for administration purposes.

- Practising Certificate Fees: for the receipt of practicing certificate fees
- LSB: for the payment of expenses incurred in carrying out its functions other than regulating law practices or their trust account or functions relating to investigations of trust accounts.

Distribution Account: Section 6.7.5

The Act requires that 50% of the surplus in the General Account at 30 June is transferred to the Distribution Account during the following year. Grants made under sections 6.7.9 and 6.7.10 are paid to recipients from the distribution account.

Legal Practitioners Fidelity Fund: Section 6.7.15

Receipts include Fidelity Fund contributions and levies, income from investments of the Fidelity Fund, monies transferred from the Public Purpose Fund (General Account), and monies received as a result of the exercise of any right or remedy arising from the claim. Payments include any claim including interest, costs and disbursements allowed against the Fund, and legal and other expenses incurred by the LSB in investigating or defending claims against the Fund.

All monies held in the Fidelity Fund is kept separate from any other money held by the LSB and is held in trust.

3. Income from transactions

	2011	2010
	\$'000	\$'000
(a) Interest and dividends		
Public Purpose Fund – Interest from financial assets not at fair value through profit and loss:		
Statutory Deposit Account	30,651	21,366
Law Practice Residual Trust Accounts	35,953	23,586
Operating Accounts	711	551
Total Public Purpose Fund	67,315	45,503
Legal Practitioners Fidelity Fund – Interest from financial assets not at fair value through profit and loss:		
Legal Practitioners Fidelity Fund	2,856	1,895
Total Fidelity Fund	2,856	1,895
Total interest and dividends revenue	70,171	47,398
(b) Other income		
Public Purpose Fund		
Practising certificate fees	4,810	4,607
Sundry income	542	529
Total Public Purpose Fund	5,352	5,136
Fidelity Fund		
Fidelity Fund contributions	1,640	1,476
Fidelity Fund recoveries	15	123
Total Fidelity Fund	1,655	1,599
Total other income	7,007	6,735
Total income from transactions	77,178	54,132

4. Expenses from transactions

	2011	2010
	\$'000	\$'000
(a) Grants and funding		
(i) Grants and funding		
Public Purpose Fund- Grants paid during the year from prior year accumulated surplus in the Distribution Account		
Victoria Legal Aid	25,769	23,500
Leo Cussen Institute	1,766	1,605
Victorian Law Reform Commission	1,785	1,700
Victoria Law Foundation	1,700	1,445
Funding paid during the year from the General Account		
Legal Services Commissioner (s.6.7.7)	7,553	7,001
Payments to professional associations for programs (s 6.7.14)	2,728	2,391
Legal Law List- Victorian Civil and Administration Tribunal (s 6.7.8)	1,382	1,146
Council for Legal Education and Board of Examiners (s 6.7.3(2)(viii))	1,132	1,128
	43,815	39,916
(ii) Project grants		
Grants paid during the year from prior year accumulated surplus in the distribution account	478	492
	478	492
(iii) Major grants		
Grants paid during the year from prior year accumulated surplus in the distribution account	3,704	3,980
	3,704	3,980
Total grants and funding	47,997	44,388
(b) Payments to service providers		
Public Purpose Fund		
Recharge from the Legal Services Commissioner		
Cost of services provided by Legal Services Commissioner staff	3,497	3,085
Cost of functions delegated to the Law Institute of Victoria:		
Issuing of practising certificates	807	786
Trust account inspections	2,214	2,155
External interventions	1,335	1,267
Cost of other delegated services	22	136
Total	4,378	4,344
Payments to the Victorian Bar		
Cost of professional development	161	144
Total payments to the Law Institute of Victoria	4,539	4,488
Other payments to the Victorian Bar		
Issuing of practising certificates	112	51
Cost of other delegated services	23	82
Total payments to the Victorian Bar	135	133
Total payments to service providers	8,171	7,706

	2011	2010
	\$'000	\$'000
(c) Fidelity fund claims costs and movement in provisions		
Legal Practitioners Fidelity Fund		
Fidelity Fund claims details		
Capital claims paid	1,112	1,295
Interest claims paid	169	41
Costs paid	65	29
Increase/(decrease) in outstanding claims provision	(6,548)	9,764
Increase/(decrease) in claims payable	1,939	281
Administration expenses	287	204
Total fidelity fund claims costs and movements in provisions	(2,976)	11,614
(d) Depreciation and amortisation expense		
Public Purpose Fund		
Leasehold improvements	198	178
Office equipment	30	54
Office furniture	64	61
Computer equipment	106	120
Intangible assets	354	374
Total depreciation and amortisation	752	787
(e) Directors fees		
Public Purpose Fund		
Directors of the Board remuneration	251	227
Superannuation	23	21
Total Directors fees	274	248
(f) Other operating expenses		
Public Purpose Fund		
Investigations and legal expenses	1,164	814
Information technology expenses	561	500
Occupancy expenses	455	384
Administrative expenses	663	647
Grants and consultants expenses	167	357
External audit fees	60	58
Internal audit fees	67	106
Investment advice and management expenses	170	170
Other staff costs	60	123
Total other operating expenses	3,367	3,159

5. Other economic flows included in net result

	2011	2010
	\$'000	\$'000
Net gain/(loss) on financial instruments		
Financial assets at fair value through profit and loss - held for trading		
Public Purpose Fund	2,931	4,419
Legal Practitioners Fidelity Fund	171	1,093
Total gain/ (loss) on financial instruments	3,102	5,512

6. Cash and deposits

	2011	2010
	\$'000	\$'000
(a) Reconciliation of cash and cash equivalents		
Cash on hand	1	1
Public Purpose Fund		
General Operating Account	2,370	3,522
Distribution Account	13,074	314
Statutory Deposit Account	255,363	285,682
Practising Certificate Fees	384	5,413
Legal Services Board	856	412
Westpac Sector Pool- SDA Managed Cash	70,252	102,274
Westpac Sector Pool- SDA Term deposits	75,183	-
Total Public Purpose Fund	417,483	397,618
Legal Practitioners Fidelity Fund		
Legal Practitioners Fidelity Fund Operating Account	899	2,014
Westpac Sector Pool- Managed Cash	17,909	18,070
Total Legal Practitioners Fidelity Fund	18,808	20,084
Balances per statement of cash flows	436,291	417,702
(b) Reconciliation of net result for the period to net cashflows from operating activities		
Profit for the year	22,695	(8,258)
Non-cash movements:		
Depreciation and amortisation	752	787
Net loss on financial instruments	(3,102)	(5,512)
Movements in assets and liabilities		
(Increase)/ decrease in prepayments	(61)	89
(Increase)/decrease in receivables	(737)	(2,070)
Increase/(decrease) in payables	1,432	(366)
Increase (decrease) in income received in advance	315	1,580
Increase/(decrease) in provisions	(6,548)	9,764
Net cash inflow (outflow) from operating activities	14,746	(3,986)

7. Receivables

	2011	2010
	\$'000	\$'000
Public Purpose Fund		
Contractual receivables		
Trade receivables	88	139
Accrued Interest - Residual Trust accounts	3,099	2,811
Accrued interest - Statutory Deposit Accounts	992	1,059
Total contractual receivables	4,179	4,009
Statutory receivables		
GST recoverable	173	154
Total statutory receivables	173	154
Total receivables - Public Purpose Fund	4,352	4,163
Fidelity Fund		
Contractual receivables		
Fidelity Fund		
Trade debtors		
Trade receivables	950	400
Total contractual receivables	950	400
Statutory receivables		
GST recoverable	1	3
Total statutory receivables	1	3
Total receivables - Fidelity Fund	951	403
Total receivables	5,303	4,566

All receivables are current.

8. Investments and other financial assets

	2011	2010
	\$'000	\$'000
Current investments and other financial assets		
Public Purpose Fund		
Australian Unity Investments (Via Nova)	76,962	73,011
Schroders	23,999	23,172
BNP Paribas (MFS)	28,531	22,446
Orion Asset Management	22,924	20,548
Tyndall Asset Management	23,030	20,464
Vanguard Investments	6,153	5,834
Total Statutory Deposit Account	181,599	165,475
Legal Practitioners Fidelity Fund		
Australian Unity Investments (Via Nova)	17,564	16,662
Schroders	2,322	2,242
BNP Paribas (MFS)	2,761	2,172
Orion Asset Management	2,214	1,984
Tyndall Asset Management	2,220	1,976
Vanguard Investments	643	610
Total Legal Practitioners Fidelity Fund	27,724	25,646
Total investments and other financial assets	209,323	191,121

Ageing analysis of investments in other financial assets

Please refer to note 17.6 for the ageing analysis of investments and other financial assets.

Nature and extent or risk arising from investments in other financial assets

Please refer to Note 17.1 for the nature and extent of risks arising from investments and other financial assets.

9. Plant and equipment

Plant and equipment are classified primarily by the purpose for which the assets are used according to one of the five 'Purposes Groups' based upon Government Classification (GPC). All assets within a 'Purposes Group' are further sub-categorised to the asset's nature, with each sub-category being classified as a separate class of asset for financial reporting purposes.

(a) Classification by 'Purpose Groups'- Carrying amounts

PUBLIC SAFETY AND ENVIRONMENT		
	2011	2010
	\$'000	\$'000
Computer equipment		
At cost	409	475
Less: accumulated depreciation	(285)	(284)
Net carrying amount - computer equipment	124	191
Office equipment		
At cost	236	231
Less: accumulated depreciation	(184)	(154)
Net carrying amount- office equipment	52	77
Leasehold improvements		
At cost	1,795	1,557
Less: Accumulated depreciation	(1,012)	(814)
Net carrying amount - leasehold improvements	783	743
Office furniture		
At cost	649	627
Less: Accumulated depreciation	(387)	(322)
Net carrying amount - office furniture	262	305
Net carrying amount of plant and equipment	1,221	1,316

b) Classification by 'Public Safety and environment'
Purpose Group – movements in carrying amounts

	COMPUTER EQUIPMENT		OFFICE EQUIPMENT	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Opening balance	191	218	77	130
Additions	47	72	5	37
Disposals	-	(3)	-	-
Depreciation	(114)	(120)	(30)	(54)
Transfer to and from other classes	-	24	-	(36)
Closing balance	124	191	52	77

	LEASEHOLD IMPROVEMENTS		OFFICE FURNITURE	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Opening balance	743	922	305	343
Additions	238	-	21	24
Disposals	-	-	-	(3)
Depreciation	(198)	(178)	(64)	(61)
Transfer to and from other classes	-	(1)	-	2
Closing balance	783	743	262	305

	TOTAL	
	2011	2010
	\$'000	\$'000
Opening balance	1,316	1,613
Additions	311	133
Disposals	-	(6)
Depreciation	(406)	(413)
Transfer to and from other classes	-	(11)
Closing balance	1,221	1,316

10. Intangible Assets

	COMPUTER SOFTWARE	COMPUTER SOFTWARE
	2011	2010
	\$'000	\$'000
Gross carrying amount		
Opening balance	1,880	1,831
Additions	434	49
Closing balance	2,314	1,880
Accumulated depreciation, amortisation and impairment		
Opening balance	(1,400)	(1,026)
Depreciation and amortisation expense	(354)	(374)
Closing balance	(1,754)	(1,400)
Net book value at end of financial year	560	480

11. Payables

	2011	2010
	\$'000	\$'000
Public Purpose Fund		
Contractual payables and accrued expenses	2,340	1,409
Major grants	5,439	5,017
Total payables Public Purpose Fund	7,779	6,426
Fidelity Fund		
Contractual payables and accrued expenses	385	306
Total payables Fidelity Fund	385	306
Total payables	8,164	6,732

Maturity analysis of contractual payables

Please refer to Table 17.8 in Note 17 for the maturity analysis of contractual payables. All payables are current.

12. Provisions

(a) Provisions for Fidelity Fund claims

The Fidelity Fund claims provision at balance date has been set by the Board of Directors of the Board after appropriate consideration of actuarial advice provided by an independent actuarial firm, am actuaries.

The following discount rates were used in estimating the liability for outstanding claims. No explicit rate of defalcation is adopted. Defalcations are assumed to increase at the same time as experienced in the past.

	2011	2010
	\$'000	\$'000
Claims expected to be paid		
Later than one year discount rate	4.75%	4.75%
Provisions for lodged claims and anticipated claims against the Fidelity Fund		
Current liability	3,500	3,858
Non-current liability	7,830	14,020
	11,330	17,878
Undiscounted liability of lodged claims	3,570	9,620
Plus: estimated IBNL liability	4,260	4,820
Projected gross liability	7,830	14,440
Non-current provisions		
Less: discounted to net present value	(1,070)	(2,290)
Plus: Claim expenditure	1,020	1,820
Less: Board approved claims (reported as payables)	-	(282)
Plus: Risk Margin (30%) (2010: 30%)	2,340	4,190
Plus: Post-Balance Date Adjustment	1,210	-
Total provisions	11,330	17,878

(b) Movements in provisions for Fidelity Fund

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	2011	2010
	\$'000	\$'000
Opening balance	17,878	8,114
Additions/ reductions in provisions recognised	(6,548)	9,764
Closing balance	11,330	17,878

13. Income received in advance

	2011	2010
	\$'000	\$'000
Practising certificate fees	4,796	4,641
Fidelity Fund contributions	1,584	1,424
Total income received in advance	6,380	6,065

14. Statutory deposit account balances- Public Purpose Fund

	2011	2010
	\$'000	\$'000
Accounts held by the Board in individual law practice names totalled and were represented by the following investments:	504,366	484,686
Australian Unity Investments (Via Nova)	34,509	34,509
Schroders	23,250	23,250
BNP Paribas (MFS)	23,250	23,250
Orion Asset Management	12,975	12,975
Tyndall Asset Management	12,975	12,975
Vanguard	7,000	7,000
BT Investments	67,314	85,045
Westpac Term Deposits	67,731	-
Westpac Investment Account Special Arrangements	255,362	285,682
Total Statutory deposit account balances	504,366	484,686

15. Contingent assets and contingent liabilities

At balance date a Court appeal of a Board decision in relation to a Fidelity Fund claim was pending. The status of the appeal was considered when establishing the Fidelity Fund outstanding claim provision at balance date and was included in the provision's risk margins. There were no contingent assets or contingent liabilities at balance date in 2010.

16. Commitments for expenditure

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2011	2010
	\$'000	\$'000
<i>Property, plant and equipment</i>		
Not longer than 1 year	225	160
Total capital expenditure commitments	225	160

(b) Operating commitments

Commitments in relation to operating contracts contracted for at the reporting date but not recognised as liabilities, payable:

Not longer than one year	250	250
Longer than one year but not later than five years	250	499
Total operating lease commitments	500	749

16. Commitments for expenditure continued

Statutory commitments

The *Legal Profession Act 2004* requires that 50% of the PPF General Account surplus as at 30 June each year is to be transferred to the distribution account in the following year. The amounts to be distributed in 2011/12 is \$36,618k (2010/11: \$36,812k). Funding under sections 6.7.9 and 6.7.10 are paid to recipients from the Distribution Accounts. Recipients include the Legal Aid Fund, the Victorian Law Reform Commission and successful Project and Major Grants applicants. For further details refer to the report of operations on pages 3 and 56 of this report.

(c) Operating lease commitments

The Board holds a lease for Level 9 and Level 10, 330 Collins Street, Melbourne. The lease is effective until September 2014. At present Level 9 is occupied by the Legal Services Commissioner. Lease costs for Level 9 are recharged to the LSC.

	2011	2010
	\$'000	\$'000
Commitments in relation to operating leases and contracts contracted for at the reporting date but not recognised as liabilities, payable:		
Not longer than one year	643	828
Longer than one year but not later than five years	1,988	2,648
	2,631	3,476

17. Financial instruments

17.1 Financial risk management objectives and policies

The Board's principal financial instruments comprise of:

- cash assets;
- term deposits;
- receivables (excluding statutory receivables)
- investments in equities and managed investment schemes
- payables (excluding statutory payables); and
- Statutory deposit account balances.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Board's financial risks within the Board's policy parameters.

The Board's main financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. The Board manages these financial risks in accordance with its investment management policy.

The Board uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Finance and Investment committee of the Board.

17.2 Categorisation of financial instruments

The carrying amounts of the Board's contractual financial assets and financial liabilities are disclosed below.

2011	CONTRACTUAL FINANCIAL ASSETS/ LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT/LOSS	CONTRACTUAL FINANCIAL ASSETS - LOANS AND RECEIVABLES	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
	\$'000	\$'000	\$'000	\$'000
Contractual financial assets				
Cash and deposits	-	361,107	-	361,107
Receivables:				
Sale of goods and services	-	1,038	-	1,038
Accrued investment income	-	4,091	-	4,091
Investments and other contractual financial assets:				
Equities and managed investment schemes	209,323	-	-	209,323
Term deposits	75,183	-	-	75,183
Total contractual financial assets	284,506	366,236	-	650,742
Contractual financial liabilities				
Supplies and services	-	-	2,725	2,725
Other payables	-	-	5,439	5,439
Borrowings:				
Statutory Deposit Account balances	-	504,366	-	504,366
Total contractual financial liabilities	-	504,366	8,164	512,530
2010				
Contractual financial assets				
Cash and deposits	-	417,702	-	417,702
Receivables:				
Sale of goods and services	-	539	-	539
Accrued investment income	-	3,870	-	3,870
Investments and other contractual financial assets:				
Equities and managed investment schemes	191,121	-	-	191,121
Total contractual financial assets	191,121	422,111	-	613,232
Contractual financial liabilities				
Supplies and services	-	-	1,715	1,715
Other payables	-	-	5,017	5,017
Borrowings:				
Statutory Deposit Account balances	-	484,686	-	484,686
Total contractual financial liabilities	-	484,686	6,732	491,418

17.3 Net holding gain/(loss) on financial instruments by category

2011	NET HOLDING GAIN / (LOSS)	TOTAL INTEREST INCOME / (EXPENSE)	TOTAL
	\$'000	\$'000	\$'000
Contractual financial assets			
Financial assets designated at fair value through profit/loss	3,102	30,651	33,753
Total contractual financial assets	3,102	30,651	33,753
Contractual financial assets			
Financial assets designated at fair value through profit/loss	5,512	21,366	26,878
Total contractual financial assets	5,512	21,366	26,878

17.4 Credit risk

Credit risk arises from the contractual financial assets of the Board, which comprise cash and cash deposits and receivables. The Board's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Board. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Board's contractual financial assets is minimal because the main assets are cash at bank and other investments. The Board's policy is to deal with banks and other financial institutions with high credit ratings. A bank must be an approved deposit taking institution. The majority of all financial assets are held by Westpac Banking Corporation. The Board pays a premium to ensure its accounts are covered by the government guarantee.

The Board have an investment policy detailing controls in regard to credit risk. Any investments in a financial institution must be approved by the Board. Investments are regularly monitored by management and an external asset consultant and are reported to the Board on a monthly basis. Any investment deposit or redemption is approved by the Board.

In addition, the Board does not engage in active hedging for its contractual financial assets and mainly obtains contractual financial assets that are fixed interest, except for cash assets, which are mainly cash at bank.

Provisions for impairment of contractual financial assets are recognised when there is objective evidence that the Board will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments and debts which are more than 60 days overdue. As with the policy for debtors, the Board's policy is to only deal with banks with high credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Board's maximum exposure to credit risk without taking account of the value of any collateral obtained.

17.5 Credit quality of contractual financial assets that are neither past due nor impaired

2011	FINANCIAL INSTITUTIONS	FINANCIAL INSTITUTIONS	FINANCIAL INSTITUTIONS	OTHER	TOTAL
	TRIPLE-A CREDIT RATING	DOUBLE-A CREDIT RATING	A CREDIT RATING		
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposits	88,161	348,130	-	-	436,291
Investments and other financial assets	-	-	202,527	6,796	209,323
Total contractual financial assets	88,161	348,130	202,527	6,796	645,614

2010	FINANCIAL INSTITUTIONS	FINANCIAL INSTITUTIONS	FINANCIAL INSTITUTIONS	OTHER	TOTAL
	TRIPLE-A CREDIT RATING	DOUBLE-A CREDIT RATING	A CREDIT RATING		
	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and deposits	120,344	297,358	-	-	417,702
Investments and other financial assets	-	-	184,677	6,444	191,121
Total contractual financial assets	120,344	297,358	184,677	6,444	608,283

17.6 Ageing analysis of contractual financial assets

2011	CARRYING AMOUNT	VARIABLE INTEREST RATE	NON-INTEREST BEARING	NOT PAST DUE AND NOT IMPAIRED
	\$'000	\$'000	\$'000	\$'000
Receivables:				
Law Practice Residual Trust Account accrued interest	3,099	-	3,099	3,099
Statutory Deposit Account accrued interest	992	-	992	992
Trade debtors	1,038	-	1,038	1,038
Investments and other contractual financial assets:				
Cash and deposits	436,291	436,291	-	436,291
Investments at fair value through profit or loss- held for trading	209,323	209,323	-	209,323
Total	650,743	645,614	5,129	650,743

2010	CARRYING AMOUNT	VARIABLE INTEREST RATE	NON-INTEREST BEARING	NOT PAST DUE AND NOT IMPAIRED
	\$'000	\$'000	\$'000	\$'000
Receivables				
Law Practice Residual Trust Account accrued interest	2,811	-	2,811	2,811
Statutory Deposit Account accrued interest	1,059	-	1,059	1,059
Trade debtors	539	-	539	539
Investments and other contractual financial assets:				
Cash and deposits	417,702	417,702	-	417,702
Investments at fair value through profit or loss- held for trading	191,121	-	191,121	191,121
Total	613,232	417,702	195,530	613,232

Contractual financial assets that are either past due or impaired

There are no material financial assets which are individually determined to be impaired. Currently the Board does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The ageing analysis table above discloses the ageing only of contractual financial assets that are past due but not impaired.

17.7 Liquidity risk

Liquidity risk is the risk that the Board would be unable to meet its financial obligations as and when they fall due. The Board operates under the Government's fair payment policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Board's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet. The Board manages its liquidity risk by:

- maintaining an adequate level of cash to honour all short term Statutory Deposit Account withdrawal requests. The cash levels maintained are generally in excess of \$250 million.
- holding investments and other contractual financial assets that are readily tradeable in the financial markets; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

The Board's exposure to liquidity risk is deemed insignificant based on prior period's data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.

The following table discloses the contractual maturity analysis for the Board's contractual financial liabilities.

17.8 Maturity analysis of contractual financial liabilities

		INTEREST RATE EXPOSURE		MATURITY DATES
2011	CARRYING AMOUNT	NOMINAL AMOUNT	LESS THAN 1 MONTH	
	\$'000	\$'000		\$'000
Payables:				
Accounts Payables Public Purpose Fund	2,340	2,340		2,340
Accounts Payables Legal Practitioners Fidelity Fund	385	385		385
Major Grants	5,439	-		5,439
Statutory Deposit Account balances	504,366	504,366		504,366
Total	512,530	507,091		512,530

		INTEREST RATE EXPOSURE		MATURITY DATES
2010	CARRYING AMOUNT	NOMINAL AMOUNT	LESS THAN 1 MONTH	
	\$'000	\$'000		\$'000
Payables:				
Accounts Payables Public Purpose Fund	1,409	1,409		1,409
Accounts Payables Legal Practitioners Fidelity Fund	306	306		306
Major Grants	5,017	-		5,017
Statutory Deposit Account balances	484,686	484,686		484,686
Total	491,418	486,401		491,418

17.9 Market risk

The Board's exposures to market risk are primarily through foreign currency risk and interest rate risk and with insignificant exposure to equity price risk. Objectives, policies and processes used to manage each of these risks are disclosed below:

Foreign currency risk

The Board is exposed to foreign currency risk mainly through its investments in global equities. The investment policy is to invest 50% of all global equities in a fully hedged investment product and 50% in an unhedged investment product. The investment benchmark is to invest 9% of total investments in global equities. Investments in global equities are immaterial as a proportion of all cash deposits and investments.

All investments in global equities are reported in Australian dollars and the exposure is managed by the investment fund manager based on parameters set by the Board. Based on past and current assessment of economic outlook, it is deemed unnecessary for the Board to enter into any further hedging arrangements to manage the risk.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Board does not hold any interest-bearing instruments that are measured at fair value, therefore has nil exposure to fair value interest rate risk.

The Board has minimal exposure to cash flow interest rate risks through its cash, term deposits and deposits that are at floating rates.

The Board manages this risk by mainly undertaking fixed-rate on non-interest bearing financial instruments with relatively even liquidity profiles, with only insignificant amounts of financial instruments at floating rate. Cash at bank, as financial assets can be left at floating rate without necessarily exposing the Board to significant risk. Management monitors movement in interest rates on a daily basis.

Equity price risk

The Board is exposed to equity price risk through its investments in managed investment schemes. Such investments are allocated and traded to match the approved investment objectives. The Board has appointed Mercer Asset Consultants to review and provide recommendations on its investment strategies, asset allocation and fund managers. Management and Mercer closely monitor investment performance and provide reporting to the Board on a monthly basis.

17.10 Interest rate exposure of financial instruments

2011	WEIGHTED AVERAGE INTEREST RATE%	CARRYING AMOUNT	INTEREST RATE EXPOSURE		
			FIXED INTEREST RATE	VARIABLE INTEREST RATE	NON-INTEREST BEARING
		\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and deposits	4.43%	361,108	-	361,108	-
Receivables					
Sale of goods and services	-%	1,038	-	-	1,038
Accrued investment income	-%	4,091	-	-	4,091
Investments and other contractual financial assets					
Equities and managed investment schemes	8.94%	209,323	-	209,323	-
Term deposits	5.84%	75,183	75,183	-	-
Total financial assets		650,743	75,183	570,431	5,129
Financial liabilities					
Payables					
Supplies and services	-%	2,725	-	-	2,725
Statutory Deposit Account balances	-%	504,366	-	-	504,366
Total financial liabilities		507,091	-	-	507,091
2010					
Financial assets					
Cash and deposits	3.65%	417,702	-	417,702	-
Receivables					
Finance lease receivables	-%	-	-	-	-
Sale of goods and services	-%	539	-	-	539
Loans to third parties	-%	-	-	-	-
Accrued investment income	-%	3,870	-	-	3,870
Investments and other contractual financial assets					
Equities and managed investment schemes	4.60%	191,121	-	191,121	-
Total financial assets		612,232	-	608,823	4,409
Financial liabilities					
Payables					
Supplies and services	-%	1,715	-	-	1,715
Statutory Deposit Account balances	-%	484,686	-	-	484,686
Total financial liabilities		486,041	-	-	486,401

Sensitivity disclosure analysis and assumptions

The Board's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding four year period, with all variables other than the primary risk variable held constant. The Board's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analysis shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months: a movement of 100 basis points up and down (2010: 100 down and 100 up) in market interest rates (AUD); The impact on the Board's net result for each category of financial instrument held by the Board at year-end as presented to key management personnel, if the above movements were to occur, as follows: The Board has no financial liabilities subject to movements in market rates and prices.

17.11 Foreign exchange risk sensitivity

		FOREIGN EXCHANGE			
		-10%		10%	
2011	CARRYING AMOUNT	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS
		\$'000	\$'000	\$'000	\$'000
Contractual financial assets					
Investments and other contractual financial assets	209,323	(3,129)	(3,129)	3,129	3,129
Total impact		(3,129)	(3,129)	3,129	3,129

		-10%		10%	
2010	CARRYING AMOUNT	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS
		\$'000	\$'000	\$'000	\$'000
Contractual financial assets					
Investments and other contractual financial assets	191,121	(2,502)	(2,502)	2,502	2,502
Total impact		(2,502)	(2,502)	2,502	2,502

17.11 Interest rate sensitivity

		INTEREST RATE			
		-100 BASIS POINTS		+100 BASIS POINTS	
2011	CARRYING AMOUNT	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS
		\$'000	\$'000	\$'000	\$'000
Contractual financial assets					
Cash and deposits	436,291	(4,363)	-	4,363	-
Investments and other contractual financial assets	209,323	(2,093)	-	2,093	-
Total impact		(6,456)	-	6,456	-

		-100 BASIS POINTS		+100 BASIS POINTS	
2010					
Contractual financial assets					
Cash and deposits	417,702	(4,173)	-	4,173	-
Investments and other contractual financial assets	191,121	(1,911)	-	1,911	-
Total impact		(6,084)	-	6,084	-

17.11 Other price risk sensitivity

		OTHER PRICE			
		-1%		+1%	
2011	CARRYING AMOUNT	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS
Contractual financial assets					
Investments and other contractual financial assets	209,323	(2,093)	(2,093)	2,093	2,093
Total impact		(2,093)	(2,093)	2,093	2,093

		-1%		+1%	
2010	CARRYING AMOUNT	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS	NET RESULT	AVAILABLE-FOR-SALE REVALUATION SURPLUS
Contractual financial assets					
Investments and other contractual financial assets	191,121	(1,911)	(1,911)	1,911	1,911
Total impact		(1,911)	(1,911)	1,911	1,911

(i) Other price risk sensitivity

Exposure to other price risk arises due to the inherent risk due to the possibility of falls in the market value of the investments held for trading. The Board's objective of managing other price risk is to minimise negative impacts on investment value due to the volatility of the stock market.

Policy in managing other price risk:

The Board has appointed Mercer as its external, independent investment managers to monitor the volatility of stock market investments in light of performance benchmarks. The investment manager is expected to manage this risk with parameters set by the Board and with appropriate oversight by management and the Board. The risk is managed through the appropriate diversification of specific stocks and diversification through different asset classes as per the mandated allocations.

The Board manages other price risk at least once a year.

	CARRYING AMOUNT	FOREIGN EXCHANGE RISK				OTHER PRICE RISK			
		10%		-5%		-15%		10%	
		(A)		(B)		(C)		(D)	
30 JUNE 2011	NET RESULT	EQUITY	NET RESULT	EQUITY	NET RESULT	EQUITY	NET RESULT	EQUITY	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets									
Other Financial Assets (c)	209,323	3,129	3,129	(1,565)	(1,565)	(31,398)	(31,398)	20,939	20,939
Total increase/ (decrease)	209,323	3,129	3,129	(1,565)	(1,565)	(31,398)	(31,398)	20,939	20,939

	CARRYING AMOUNT	FOREIGN EXCHANGE RISK				OTHER PRICE RISK			
		10%		-5%		-15%		10%	
		(A)		(B)		(C)		(D)	
30 JUNE 2010	NET RESULT	EQUITY	NET RESULT	EQUITY	NET RESULT	EQUITY	NET RESULT	EQUITY	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets									
Other Financial Assets (c)	191,121	2,502	2,502	(1,251)	(1,251)	(19,111)	(19,111)	19,111	19,111
Total increase/ (decrease)	191,201	2,502	2,502	(1,251)	(1,251)	(19,111)	(19,111)	19,111	19,111

- (A) The Board's Management has estimated according to past performance and future expectations an average maximum decrease in the value of AU\$ when exchanging foreign currencies of 10%.
- (B) The Board's Management has estimated according to past performance and future expectations an average maximum increase in the value of AU\$ when exchanging foreign currencies of 5%.
- (C) The currency risk has been estimated based on the maximum allocation according amount. Other Financial Assets includes \$31,290m of investments in global equities subject to exchange rate movements. Sensitivity to -10% movement in interest rate $\$31,290 \times 10\% = \text{AU}\3.129m . Similarly for a -5% movement in the FX rate $\$26,020 \times 5\% = \text{AU}\1.565m
- (D) The Board's Management has estimated that movements in Other Price Risk will be from positive 10% to negative 10% in the next 12 months. The Board's Management does not believe that it is possible to reasonably estimate the variables used (interest rates) further than for 12 months.

17.12 Fair value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

Level 1- the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

Level 2- the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and

Level 3- the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using observable market inputs.

The Board considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of the contractual financial assets and liabilities are the same as the carrying amounts.

	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	2011	2011	2010	2010
	\$'000	\$'000	\$'000	\$'000
Contractual financial assets				
Cash and deposits	436,291	436,291	417,702	417,702
Receivables				
Law Practice Residual Trust Account accrued interest	3,099	3,099	2,811	2,811
Statutory Deposit Account accrued interest	992	992	1,059	1,059
Legal Practitioners Fidelity Fund accrued interest	-	-	-	-
Trade debtors	1,038	1,038	539	539
Investments and other contractual financial assets				
Investments at fair value through profit or loss- held for trading	209,323	209,323	191,121	191,121
Total contractual financial assets	650,743	650,743	613,232	613,232
Contractual financial liabilities				
Payables				
Accounts payables Public Purpose Fund	7,779	7,779	6,426	6,426
Accounts payables Legal Practitioners Fidelity Fund	385	385	306	306
Statutory Deposit Account balances	504,366	504,366	484,686	484,686
Total contractual financial liabilities	512,530	512,530	491,418	491,418

17.13 Financial assets measured at fair value

FAIR VALUE MEASUREMENT AT END OF REPORTING PERIOD		
2011	CARRYING AMOUNT AS AT 30 JUNE 2011	LEVEL 1
	\$'000	\$'000
Financial assets at fair value through profit or loss		
Investments in other financial assets at fair value through profit or loss	209,323	209,323
Total	209,323	209,323

FAIR VALUE MEASUREMENT AT END OF REPORTING PERIOD		
2010	CARRYING AMOUNT AS AT 30 JUNE 2011	LEVEL 1
	\$'000	\$'000
Financial assets at fair value through profit or loss		
Investments in other financial assets at fair value through profit or loss	191,121	191,121
Total	191,121	191,121

18. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

(a) Names

The persons who held the positions of Ministers and Accountable Officer in the Legal Services Board are as follows:

MINISTER		
Attorney-General	The Hon. Rob Hulls, MP	01 July 2010 to 1 December 2010
	The Hon. Robert Clark, MP	2 December 2010 to 30 June 2011
Accountable Officer	Mr Michael McGarvie	01 July 2010 to 30 June 2011

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Board during the financial year has been included in the Legal Services Commissioner's financial statements. A portion of these expenses have been recharged by the LSC to the Board through the Service Level Agreement between the two entities.

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

19. Remuneration of the Board

S 6.3.4 of the *Legal Profession Act 2004* states that the Legal Services Commissioner is the Chief Executive Officer of the Board.

REMUNERATION OF THE BOARD

	2011	2010
	NO.	NO.
	\$	\$
Income Band		
Less than \$10 000	3	-
\$30,000 - \$39,999	6	6
\$70,000 - \$79,999	1	1
Total numbers	10	7
Total amount	279,942	260,950

20. Remuneration of executives

There were two executive officers, other than the Minister and Accountable Officer; the remuneration received or receivable during the financial year for these officers has been included in the Legal Service Commissioner's Financial Statements. A portion of these salaries have been recharged by the Commissioner to the Board through the Service Level Agreement between the two entities.

21. Remuneration of auditors

	2011	2010
	\$'000	\$'000
(a) Victorian Auditor- General's Office		
Audit of financial statements	60	58
Total remuneration for audit and other assurance services	60	58

22. Superannuation

Superannuation paid to employees of the Board has been included in the LSC's financial statements. A portion of these expenses have been charged by the LSC to the LSB through the Service Level Agreement between the two entities. The Board made direct superannuation contributions for its Directors of the Board. The contributions totalled \$23,125.

23. Related party transactions

During the period the following related party transactions occurred:

	2011	2010
	\$'000	\$'000
As set out in note 1 (F) there are recharges between the Legal Services Board and Legal Services Commissioner	11,050	10,086
	11,050	10,086

The Legal Services Commissioner does share costs and services with the Legal Services Board. All transactions are at arms length. Shared costs are recharged on agreed rates.

24. Subsequent events

There were no subsequent events to report.

25. Glossary of terms and style conventions

Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result

Total net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

Depreciation

Depreciation is an expense that arises from the consumption through wear and tear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Employee benefits expenses

Employee benefits expenses include all costs related to employment including wages and salaries, leave entitlements, redundancy payments and superannuation contributions.

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right;
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or

- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Fidelity Fund

The Fidelity Fund is maintained under section 6.7.15 of the *Legal Profession Act 2004*. The purpose of the Fidelity Fund is to compensate clients for losses arising out of defaults by law practices arising from acts or omissions of associates and defaults by approved clerks. The amount in the Fidelity Fund must be kept separate from any other money held by the Board and be held in trust. The Board may invest any money in the Fidelity Fund that is not immediately required for the purposes of the Fidelity Fund in the manner in which money may be invested under the *Trustee Act 1958*.

Financial instrument

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual are not financial instruments.

Financial liability

A financial liability is any liability that is:

A contractual or statutory obligation;

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

Financial statements

Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial' report used in the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

Grants

Transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature. While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods and services, to particular taxpayers in return for their taxes. For this reason, grants are referred to by the AASB as involuntary transfers and are termed nonreciprocal transfers.

The Board provide grants for any of the following purposes:

- (a) law reform;
- (b) legal education;
- (c) legal research;
- (d) Any purpose relating to the legal profession or the law that the Board considers appropriate.

The conditions of the grant payments are provided in the *Legal Profession Act 2004*.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Interest income

Interest income includes interest received on bank term deposits, interest from investments, and other interest received.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

Net result from transactions/net operating balance

A net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains or losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

Non-financial assets are all assets that are not 'financial assets'.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes gains and losses from disposals, revaluations and impairments of noncurrent physical and intangible assets, fair value changes in financial instruments and depletion of natural assets (non-produced) from their use or removal. In simple terms, other economic flows are changes arising from market re-measurements.

Payables

Includes short and long term trade debt and accounts payable, grants and interest payable.

Public Purpose Fund

The Public Purpose Fund is maintained under section 6.7.1 of the *Legal Profession Act 2004*. The Fund is comprised of three separate accounts- the General Account, Statutory Deposit Account and the Distribution Account. The funding and expenditure requirements of each of the accounts are detailed in the *Legal Profession Act 2004*. The amount in the Public Purpose Fund must be kept separate from any other money held by the Board and be held in trust. The Board may invest any money standing to the credit of the Fund that is not immediately required for the purposes of the Public Purpose Fund in the manner in which money may be invested under the *Trustee Act 1958*.

Receivables

Includes short and long term credit and accounts receivable, grants, taxes and interest receivable.

Statutory Deposit account balances (SDA)

Each law practice with Trust Accounts has an individual SDA held in their name by the Board, the balance in this account is linked to their Trust Account. The liability represents the total sum of the individual SDA balances.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Board.

Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding.

The notation used in the tables is as follows:

- zero, or rounded to zero

[XXX] negative numbers

20XX year period

20XX-XX year period

The financial statements and notes are presented based on the illustration for a government department in the 2010-11 *Model Report for Victorian Government departments*. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Board's annual reports.

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Legal Services Board

The Financial Report

The accompanying financial report for the year ended 30 June 2011 of Legal Services Board which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Legal Services Board are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report.

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

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Legal Services Board as at 30 June 2011 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, including the Australian Accounting Interpretations, and the financial reporting requirements of the *Financial Management Act 1994*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Legal Services Board for the year ended 30 June 2011 included both in the Legal Services Board's annual report and on the website. The Board Members of the Legal Services Board are responsible for the integrity of the Legal Services Board's website. I have not been engaged to report on the integrity of the Legal Services Board's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report 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 report to confirm the information contained in the website version of the financial report.

MELBOURNE
2 September 2011


for D D R Pearson
Auditor-General

Disclosure index

The annual report of the Legal Services Board is prepared in accordance with all relevant Victorian legislation. This index has been prepared to facilitate identification of the Board's compliance with statutory disclosure requirements.

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Legal Services **BOARD**

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