

FINANCES

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*All amounts are denoted in Australian currency.

LAW CLAIMS LEVY FUND

Statement of comprehensive income for the year ended 30 June 2017

| | NOTES | 2017 \$ | 2016 \$ |
|--|-------------|-------------------|-------------------|
| Revenue | | | |
| Insurance levies | B1-1 | 24,721,873 | 28,940,898 |
| Total levies | | 24,721,873 | 28,940,898 |
| Other income | | | |
| Reinsurance recoveries | | - | 9,903 |
| Interest income | | 70,737 | 108,613 |
| Investment income | | 1,513,428 | 1,589,012 |
| Realised gains (losses) on investments | | 558,026 | 269,115 |
| Fair value gains (losses) on investments | | 1,083,422 | (1,669,130) |
| Total other income | B1-2 | 3,225,613 | 307,513 |
| Total revenue | | 27,947,486 | 29,248,411 |
| Expenses | | | |
| Administration expenses | B2-1 | 613,185 | 268,643 |
| Audit fees | B2-2 | 19,200 | 18,000 |
| Insurance premiums | B2-3 | 24,169,978 | 28,362,072 |
| Total expenses | | 24,802,363 | 28,648,715 |
| Operating result for the year | | 3,145,123 | 599,696 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 3,145,123 | 599,696 |

LAW CLAIMS LEVY FUND

Statement of financial position as at 30 June 2017

| | NOTES | 2017 \$ | 2016 \$ |
|----------------------------------|-------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | C1 | 2,008,284 | 17,680,826 |
| Receivables | C3 | 21,155,827 | 8,140,771 |
| Total current assets | | 23,164,111 | 25,821,597 |
| Non-current assets | | | |
| Investments | C4 | 52,356,047 | 49,222,830 |
| Total non-current assets | | 52,356,047 | 49,222,830 |
| Total assets | | 75,520,158 | 75,044,427 |
| Current liabilities | | | |
| Income in advance | C5 | 21,131,077 | 23,654,155 |
| Payables | C6 | 38,919 | 185,233 |
| Total current liabilities | | 21,169,996 | 23,839,388 |
| Total liabilities | | 21,169,996 | 23,839,388 |
| Net assets | | 54,350,162 | 51,205,039 |
| Equity | | | |
| Accumulated surplus | | 54,350,162 | 51,205,039 |
| Total equity | | 54,350,162 | 51,205,039 |

LAW CLAIMS LEVY FUND

Statement of changes in equity For the year ended 30 June 2017

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Accumulated surplus | | |
| Balance at 1 July | 51,205,039 | 50,605,343 |
| Total comprehensive income for the year | 3,145,123 | 599,696 |
| Balance at 30 June | 54,350,162 | 51,205,039 |

LAW CLAIMS LEVY FUND

Statements of cash flows for the year ended 30 June 2017

| | | 2017 \$ | 2016 \$ |
|---|-----------|-----------------------|-----------------------|
| | NOTES | Inflows (Outflows) | Inflows (Outflows) |
| Cash flows from operating activities | | | |
| Receipts from the profession and reinsurers | | 9,125,312 | 44,526,085 |
| Payments to suppliers | | (24,899,788) | (28,517,156) |
| Interest receipts | | 80,274 | 101,051 |
| Net cash (used in)/ provided by operating activities | C1 | (15,694,202) | 16,109,980 |
| Cash flows from investing activities | | | |
| Proceeds from investments | | 10,057,012 | 4,455,458 |
| Payments for investments | | (10,035,352) | (5,405,458) |
| Net cash flows provided by /(used in) investing activities | | 21,660 | (950,000) |
| Net (decrease) / increase in cash and cash equivalents held | | (15,672,542) | 15,159,980 |
| Cash and cash equivalents at the beginning of the financial year | | 17,680,826 | 2,520,846 |
| Cash and cash equivalents at the end of the financial year | C1 | 2,008,284 | 17,680,826 |

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

A1 BASIS OF FINANCIAL STATEMENT PREPARATION**A1-1 GENERAL INFORMATION**

The Queensland Law Society Incorporated (the Society), pursuant to s232 of the *Legal Profession Act 2007* (the Act) is authorised to establish and maintain a fund for the purposes of providing insurance to the legal profession of Queensland.

The Law Claims Levy Fund (the Fund) was created in 1987 to provide professional indemnity insurance to Queensland solicitors. The Fund is responsible for the management of professional indemnity claims of practitioners for the years 1987 to 1995, and the administration of insurance matters (jointly with Lexon Insurance Pte Ltd) in accordance with the *Queensland Law Society Indemnity Rule 2005*.

The Fund was wholly controlled by the Society for the whole reporting period.

A1-2 COMPLIANCE WITH PRESCRIBED REQUIREMENTS

The Fund has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*. The financial statements comply with the Queensland Treasury's minimum Financial Reporting Requirements for reporting periods beginning on or after 1 July 2016.

The Fund is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

A1-3 PRESENTATION**Currency and rounding**

Amounts included in the financial statements are in Australian dollars. No rounding of amounts has occurred.

Comparatives

Comparative information reflects the audited 2015-16 financial statements. Certain comparative amounts in the statement of comprehensive income have been reclassified to conform with the current year's presentation.

Current/non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within twelve (12) months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within twelve (12) months after the reporting date, or the Group does not have an unconditional right to defer settlement to beyond twelve (12) months after the reporting date.

All other assets and liabilities are classified as 'non-current'.

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)**A1-4 BASIS OF MEASUREMENT**

Historical cost is used as the measurement basis in this financial report except where stated.

Historical cost

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Fund include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Fund's assets/liabilities. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of the Fund for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair market value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Investments are categorised into level 2 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

A2 THE FUND'S OBJECTIVES

The Fund administers insurance matters (jointly with Lexon Insurance Pte Ltd) in accordance with the *Queensland Law Society Indemnity Rule 2005*. The main source of income is the collection of Professional Indemnity insurance levies for payment of insurance premiums to Lexon under the Master Policy in accordance with the Indemnity Rule.

The Fund continues to accumulate reserves in accordance with actuarial assessments for the benefit of all practitioners who have contributed to the Fund.

The Queensland Law Society Incorporated entered into a Master Policy agreement with Lexon Insurance Pte Ltd to limit the maximum liability of the Fund for both individual claims and aggregate amounts. The Fund incurs all expenses up to a prescribed amount per individual claim until such time as the aggregate amount has been reached at which time Lexon Insurance Pte Ltd incur all future costs.

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

B1 REVENUE**B1-1 INSURANCE LEVIES**

Insurance levies are recognised as revenue at the commencement of the risk period covered by the policy and accrued proportionally over the period of coverage.

Additional levies may be imposed in accordance with the indemnity rules and are accounted for separately and disclosed as income of the Fund.

All insurance levies collected via the Queensland Law Society (QLS) renewal process were transferred to the Law Claims Levy Fund. The surplus collection can only be used in accordance with the Indemnity Rules for insurance purposes.

B1-2 OTHER INCOME

Distribution from investments income is recognised when declared by fund managers.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset and is also recognised net of bank charges.

B2 EXPENSES**B2-1 ADMINISTRATION EXPENSES**

The Risk Project funding was primarily established to support Queensland Law Society (QLS) to reduce the risk and exposure of small practitioners to damage claims.

During the 2016-2017 financial year, QLS utilised funds of \$491,104 from the Law Claims Levy Fund (LCLF) to develop four distinct services. Namely a Practice Support Consultancy Service, a Trust Consultancy Service, the QLS Legal Ethics Course and the Trust Account Remedial Course.

| | 2017 | 2016 |
|-------------------------------|----------------|----------------|
| | \$ | \$ |
| Queensland Law Society | | |
| Administration Fees | 24,828 | 30,453 |
| Risk Project | 491,104 | 140,450 |
| | 515,932 | 170,903 |
| Investment Managers Fees | 50,932 | 48,707 |
| Investment Charges and Fees | 45,264 | 48,917 |
| Sundry expenses | 1,057 | 116 |
| | 613,185 | 268,643 |

B2-2 AUDIT FEES

Total audit fees paid and payable to the Queensland Audit Office to perform the audit of the Fund's financial statement for 2016-17 are estimated to be \$18,900 (2016: \$18,400). There are no non-audit services included in this amount.

B2-3 INSURANCE PREMIUM

Insurance premiums are paid to Lexon Insurance Pte Ltd, a wholly owned entity of Queensland Law Society, under the Master Policy in accordance with the Indemnity Rules.

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

C1 CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash assets include all cash and cheques received but not banked at 30 June as well as deposits on call with financial institutions.

| | 2017 | 2016 |
|--|------------------|-------------------|
| | \$ | \$ |
| Current assets: | | |
| Cash at bank | 45,756 | 181,316 |
| Short term deposits | 1,962,528 | 17,499,510 |
| Total cash and cash equivalents | 2,008,284 | 17,680,826 |

Financing facilities

The Fund has no external non-cash financing or any standby credit facilities or any other loan facilities.

Reconciliation of the operating result for the year to net cash provided by operating activities

| | 2017 | 2016 |
|---|---------------------|-------------------|
| | \$ | \$ |
| Operating result for the year | 3,145,123 | 599,696 |
| Adjustments for: | | |
| Net investment income | (3,154,877) | (188,997) |
| Changes in assets and liabilities: | | |
| (Increase)/decrease in receivables | (13,015,056) | 19,932,875 |
| Increase/(decrease) in payables | (146,314) | 131,559 |
| Increase/(decrease) in income in advance | (2,523,078) | (4,365,153) |
| Net cash (used in)/ provided by operating activities | (15,694,202) | 16,109,980 |

C2 FINANCIAL INSTRUMENTS**Recognition**

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Fund becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Investments – fair value through profit or loss
- Receivables – held at amortised cost
- Payables – held at amortised cost
- Cash and cash equivalents – fair value through profit or loss

The Fund does not enter into transaction for speculative purposes, nor for hedging.

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

C3 RECEIVABLES

Receivables represent investment redemption, levies, GST, interest and distributions earned on funds held up to balance date which has not yet been received.

These financial assets are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets.

The Fund assesses at each reporting date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Allowance for impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

| | 2017 | 2016 |
|---------------------------------------|-------------------|------------------|
| | \$ | \$ |
| Interest and distributions receivable | 4,542 | 14,079 |
| Levies receivable from QLS | 21,150,904 | 8,126,692 |
| GST receivable | 381 | - |
| Total receivables | 21,155,827 | 8,140,771 |

C4 INVESTMENTS

Investments at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Funds investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the reporting date.

| | 2017 | 2016 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Investment in collective investment schemes | 52,356,047 | 49,222,830 |

The portfolio of financial instruments held consists of collective investment schemes. The fair value of the financial instruments is determined using net asset value of the collective investment schemes.

Managed funds include units in various funds with the following managers:

- Queensland Investment Corporation
- UBS Global Asset Management
- AMP Capital Investors
- Zurich Investments Management
- Schroder Investment Management
- Denning Pryce
- MFS Investment Management
- Nikko Asset Management Australia Ltd

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

C5 INCOME IN ADVANCE

Income in advance relates to insurance levies collected from the profession during the renewals cycle in May in relation to the upcoming insurance year. Current year levies in advance relate to collections for the insurance year 1 July 2017 to 30 June 2018.

| | 2017 | 2016 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Levies received in advance for next financial year | 21,131,077 | 23,654,155 |

C6 PAYABLES

Trade creditors are recognised on receipt of the goods or services and are carried at actual amounts, gross of applicable trade and other discounts. Amounts are unsecured and are generally settled on 30 day terms.

| | 2017 | 2016 |
|---|---------------|----------------|
| | \$ | \$ |
| Amounts payable to Queensland Law Society | 3,240 | 22,910 |
| Investment Management Fees | 16,779 | 16,341 |
| Amounts payable to Lexon for insurance premiums | - | 128,700 |
| Other payables and accruals | 18,900 | 17,282 |
| Total Payables | 38,919 | 185,233 |

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Full provision is made for the estimated cost of all claims admitted or intimated but not settled at the reporting date as determined by the actuary, less insurance recoveries, using the best information available at that time.

The Fund has made no other judgements or assumptions which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

D2 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk (currency risk, price and interest rate risk) and liquidity risk.

Currency risk

The Fund is not exposed to significant foreign currency risk as the majority of the Fund's transactions, assets and liabilities are denominated in Australian dollars.

The Fund outsources its investment activities to respected fund managers who use defined risk management techniques as part of the funds mandates.

All investments in income securities are predominately hedged where a currency exposure exists.

As part of the Fund's investment mandate, it may hold units in funds which hold unhedged international securities. Any unhedged position will be in accordance with the strategic asset allocation, and is monitored regularly by management.

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

D2 FINANCIAL RISK MANAGEMENT (continued)**Price and interest rate risk**

The Fund is exposed to equity securities price risk arising from the investments. These securities are held with Australian fund managers.

The Fund seeks to reduce risk by diversifying across a range of securities, maturities and counterparties. Investment of funds are subject to risk control limits and constraints:

Duration and tracking error limits (interest rate management)

- The Modified Duration of the funds are constrained within a specified period either side of the Modified Duration of the Benchmark.
- Rolling year ex post tracking error will be limited to a specified number of basis points. The ex-ante tracking error of the funds is not expected to exceed a specified number of basis points.

Sector Exposure Bands

- The weighting of each sector (eg domestic, international – government, non-government) within the funds will be maintained in specified limits.

Credit limits

- The funds will be invested in a broad and diversified range of securities across the credit spectrum.

Credit risk limits for individual security investments

- Individual security limits apply for direct physical holdings based on their credit rating and inclusion in the benchmark.

Management regularly review the performance and ensure all investments held are within the approved mandate.

Liquidity risk

In the management of liquidity risks, the Fund monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Fund's operations and mitigate the effects of fluctuations in cash flows. The Fund also constantly reviews its investment to ensure that there are sufficient cash and liquid deposits to meet its estimated outflows.

The Fund manages its expected cash flow requirements using the latest actuarial valuations detailing projected cash flows. These are monitored in conjunction with available cash and investments readily convertible to cash.

As at reporting date, the Fund's financial liabilities are all current.

Sensitivity analysis

Financial assets at fair value through profit or loss have had the following sensitivity analysis applied, which are based on the Australian Prudential Regulatory Authority's (APRA) General Insurance Prudential Standard GPS 114.

Interest rate sensitivity

Interest rate sensitivity measures the changes on the capital base from changes in real interest rates. The sensitivity has been determined by multiplying the nominal risk-free interest rate by -0.20 (downward stress) and 0.25 (upward stress), with a maximum stress adjustment of 200 basis points in either direction.

Inflation risk sensitivity

Expected inflation sensitivity measures the changes on the capital base from changes to expensed consumer price index inflation rates. The sensitivity has been determined by adjusting the expected inflation rates by adding 125 basis points (upward movement) and subtracting 100 basis points (downward movement).

Currency sensitivity

Currency sensitivity measures the changes in the capital base due to changes in foreign currency exchange rates. The sensitivity has been determined by applying a 25% increase and 25% decrease in exchange rates. An increase in the Australian Dollar is divided by 1.25 (or multiplied by 0.8) while a decrease is divided by 0.75 (or multiplied by 1.333).

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

D2 FINANCIAL RISK MANAGEMENT (continued)**Equity sensitivity**

Equity sensitivity measures the change on the capital base of a fall in equity and other asset values. For listed equities, the fall is determined by increasing the dividend yield on the ASX 200 index by 2.5 percent. For unlisted equities, the fall is determined by increasing the dividend yield on the ASX 200 index by 3.0 percent.

Property stress

Property sensitivity measures the change on the capital base of a fall in property and infrastructure asset values. The fall is determined by increasing the rental yield (for property assets) or earnings yield (for infrastructure assets) by 2.75 percent.

Credit spread stress

Credit spread sensitivity measures the change on the capital base of an increase in credit spreads and the risk of default. The sensitivity has been determined by adding a spread (based on APRA credit spread and default factors) to the current yield on the asset and multiplying the reduced value of the asset by (1 – default factor).

The below details the impact to financial assets at fair value through profit or loss before tax and before any aggregation benefits.

| | 2017 \$ | 2016 \$ |
|---------------|--------------------|------------------------|
| | Stress Test | Upward impact |
| Interest rate | 3,904 | (66,422) |
| Inflation | 241,067 | 82,701 |
| Currency | (70,612) | (386,209) |
| | | Downward impact |
| Interest rate | 794 | 68,176 |
| Inflation | (208,281) | (7,733) |
| Currency | (480,854) | 520,741 |
| | Stress Test | Impact |
| Equity | 5,787,874 | (3,780,935) |
| Property | - | - |
| Credit spread | 911,214 | (1,103,096) |

D3 CONTINGENT LIABILITIES

Under the present insurance agreements the total liability of the Fund for the respective years of insurance is limited to \$100,000 (1987-1994) and \$500,000 (1995) per individual claim and this amount is reduced by the amount of the solicitors' deductible. Also an aggregate limit per respective year of insurance applies and this limits the total liability of the Fund. As at 30th June 2017, there are no claims against the Fund.

From 1 July 2002, the Fund has a policy with Lexon Insurance Pte Ltd (Lexon) which capped its liability at \$5,000,000 for future claim payments up to and including the 1995-1996 insurance year. The Fund ceased to provide cover following the end of the 1995-1996 insurance year. Given the length of time it is likely that any further claims against the Fund will arise.

Based on actuarial advice in respect of the position of the Fund as at 30 June 2017 (Finity – August 2017), the insurance in place with regard to the limits per file, and the overall Fund's aggregate limit as at 30 June 2017, the Council is of the opinion that the funds on hand together with future investment income and deductibles, and in conjunction with Stop Loss cover with Lexon will ensure that all future claims will be met as and when they fall due.

LAW CLAIMS LEVY FUND

Notes to and forming part of the financial statements for the year ended 30 June 2017

D4 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

New or amended Australian Accounting Standards issued with future commencement dates are not expected to have a material impact on the Fund.

E1 FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY**Changes in Accounting Policy**

The Fund did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted 2016-17.

E2 TAXATION

The Fund is exempt from income tax by virtue of section 50-25 of the *Income Tax Assessment Act 1997* with the exception of Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing activities and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

LAW CLAIMS LEVY FUND

Management Certificate for the year ended 30 June 2017

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a. the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- b. the financial statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Law Claims Levy Fund for the financial year ended 30 June 2017 and of the financial position of the Fund as at the end of that year; and
- c. these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



President
Queensland Law Society
Christine Smyth

31/8/17



Chief Executive Officer (Acting)
Queensland Law Society
Matthew Dunn

31/8/17

LAW CLAIMS LEVY FUND

Independent Auditor's Report

To the Council of Queensland Law Society Incorporated.

REPORT ON THE AUDIT OF THE FINANCIAL REPORT**OPINION**

I have audited the accompanying financial report of Law Claims Levy Fund.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended; and
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

BASIS FOR OPINION

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

RESPONSIBILITIES OF THE COUNCIL FOR THE FINANCIAL REPORT

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009 and Australian Accounting Standards, and for such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Council is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL REPORT

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.

LAW CLAIMS LEVY FUND

Independent Auditor's Report

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

- a) I received all the information and explanations I required; and
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



Nick George
as delegate of the Auditor-General



Queensland Audit Office
Brisbane