

FINANCES

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*All amounts are denoted in Australian currency.

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Statement of Comprehensive Income for the year ended 30 June 2018

	NOTES	2018 \$'000	2017 \$'000
Revenue			
Practitioner levies	B1-1	840	1,017
Investment income	B1-2	631	1,418
Realised gains/(losses) on investments		(20)	-
Fair value gains/(losses) on investments		901	253
Total revenue		2,352	2,688
Expenses			
Administration expenses	B2-1	38	28
Notified claims (net of reversals)	C6	125	920
Investment fees		56	54
Expenses reimbursed to the Queensland Law Society	B2-2	239	231
Total expenses		458	1,233
Operating result for the year		1,894	1,455
Other comprehensive income		-	-
Total comprehensive income for the year		1,894	1,455

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Statement of Financial Position as at 30 June 2018

	NOTES	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	C1	489	542
Receivables	C2	73	753
Investments	C3	30,727	29,290
Total current assets		31,289	30,585
Total assets		31,289	30,585
Current liabilities			
Payables	C4	87	181
Income in advance	C5	267	769
Provision for notified claims	C6	287	881
Total current liabilities		641	1,831
Total liabilities		641	1,831
Net assets		30,648	28,754
Equity			
Accumulated surplus		30,648	28,754
Total equity		30,648	28,754

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Statement of Changes in Equity for the year ended 30 June 2018

	2018	2017
	\$'000	\$'000
Accumulated surplus		
Balance at 1 July	28,754	27,299
Total comprehensive income for the year	1,894	1,455
Balance at 30 June	30,648	28,754

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Statement of Cash Flows for the year ended 30 June 2018

	NOTES	2018 \$'000	2017 \$'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Contributions by practitioners and cost recoveries		1,018	424
Claim payments and administration expenses		(1,146)	(2,856)
Interest and distributions received		42	19
Net Cash (used in)/generated from operating activities	C1	(86)	(2,413)
Cash flows from investing activities			
Proceeds from/ (payments for) investments		33	1,400
Net cash (used in)/generated from investing activities		33	1,400
Net increase/(decrease) in cash and cash equivalents held		(53)	(1,013)
Cash and cash equivalents at the beginning of the financial year		542	1,555
Cash and cash equivalents at the end of the financial year	C1	489	542

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

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

The Queensland Law Society Incorporated (the Society), pursuant to s359 of the *Legal Profession Act 2007* (the Act) is required to maintain the Legal Practitioners' Fidelity Guarantee Fund (the Fund).

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 Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2017.

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 and rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparatives

Comparative information reflects the audited 2016-17 financial statements and have been restated where necessary to be consistent with disclosures in the current reporting period.

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 Fund 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'.

A1-4 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

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 (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

A1 BASIS OF FINANCIAL STATEMENT PREPARATION (continued)

A1-4 BASIS OF MEASUREMENT (continued)

Fair value (continued)

Fair value is determined using one of the following three approaches:

- The *market approach* uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- The *cost approach* reflects the amount that would be required currently to replace the service capacity of an asset. This method includes the current replacement costs methodology.
- The *income approach* converts multiple future cash flows amounts to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Where fair value is used, the fair value approach is disclosed.

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.

The fair value of investments is determined using the market approach and 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 has been established for the purpose of providing a source of compensation for defaults by law practices arising from acts or omissions of associates of the law practices. The major source of income for the Fund is levies from legal practitioners.

A3 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue by the Queensland Law Society Incorporated's President and Chief Executive Officer at the date of signing the Management Certificate.

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

B1 REVENUE**B1-1 PRACTITIONER LEVIES**

Revenues are recognised at the consideration received net of any amount of GST payable to the ATO. Practitioner levies are recognised as revenue when payment for the applicable membership year is received.

B1-2 INVESTMENT INCOME

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

Realised gains/losses represent the net gains/losses on the sale of investments and are recognised when investments are sold during the course of the year. Fair value gains/losses are recognised monthly based on fluctuations in market prices of investments.

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

	2018	2017
	\$'000	\$'000
Distributions from investments	590	1,399
Interest income	41	19
Total investment income	631	1,418

B2 EXPENSES**B2-1 ADMINISTRATION EXPENSES**

	2018	2017
	\$'000	\$'000
Audit fees	11	10
Rent and electricity - QLS	14	15
Legal fees - QLS	10	-
Sundry expenses	3	3
Total administration expenses	38	28

Total audit fees paid and payable to the Queensland Audit Office to perform the audit of the Fund's financial statements for 2017-18 are \$10,400 (2017: \$10,100). There are no non-audit services included in this amount.

For 2017-18 payroll tax has been included in Expenses reimbursed to the Queensland Law Society (see Note B2-2).

B2-2 EXPENSES REIMBURSED TO THE QUEENSLAND LAW SOCIETY

The Fund, pursuant to s152 of the Act, is required to reimburse the Society for all costs and expenses incurred in the administration of the Fund. The Society performs all managerial and administrative tasks on behalf of the Fund.

	2018	2017
	\$'000	\$'000
Administration fees	121	115
Administration fees – reimbursement of payroll costs	118	116
Total expenses reimbursed to the Queensland Law Society	239	231

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

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. The cash deposit account is an interest bearing account which is readily convertible to cash on hand at the Fund's option.

	2018 \$'000	2017 \$'000
Cash at bank	171	19
Cash deposit account	318	523
Total cash and cash equivalents	489	542

Reconciliation of operating result for the year to net cash (used in)/generated from operating activities

	2018 \$'000	2017 \$'000
Operating result for the year	1,894	1,455
<i>Adjustments for:</i>		
Net investment income	(1,490)	(1,602)
Loss on disposal of investments	20	-
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in receivables	680	(416)
Increase/(decrease) in payables	(94)	88
Increase/(decrease) in income in advance	(502)	(157)
Increase/(decrease) in provision for notified claims	(594)	(1,781)
Net cash (used in)/generated from operating activities	(86)	(2,413)

C2 RECEIVABLES

Interest receivable represents interest accruals for amounts received in the month after balance date.

The Fund has brought to account fines and cost recoveries receivable from practitioners. These receivables have been recognised on an accruals basis and are carried at actual amounts and the collectability of trade debtors is assessed at reporting date with allowance being made for impairment.

	2018 \$'000	2017 \$'000
Interest receivable	-	1
Practitioner levies receivable from QLS	72	752
GST receivable	1	-
Total receivables	73	753

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

C3 INVESTMENTS

Investments held 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.

	2018	2017
	\$'000	\$'000
Investment in managed funds	30,727	29,290

Fair value measurements

Categorisation of fair values recognised as at 30 June 2018 are as follows:

Fair Value Input	Type	2018	2017
		\$'000	\$'000
Level 1	None	-	-
Level 2	Investments	30,727	29,290
Level 3	None	-	-
Total investment in managed funds		30,727	29,290

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

C4 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.

	2018	2017
	\$'000	\$'000
Payable to QLS for annual leave entitlements	17	20
Payable to QLS for long service leave entitlements	48	46
Other payables and accruals	22	115
Total payables	87	181

C5 INCOME IN ADVANCE

Income in advance relates to Fidelity Fund levies collected from the profession in relation to the upcoming insurance year. Levies are collected by the Queensland Law Society Incorporated on behalf of the Fund. Current year levies in advance relate to collections in May and June 2018 paid to the Fund by the Society for the financial year 1 July 2018 to 30 June 2019.

	2018	2017
	\$'000	\$'000
Fidelity Guarantee Fund levies for upcoming year	267	769

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

C6 PROVISION FOR NOTIFIED CLAIMS

A provision is recognised when there is a present legal, equitable or constructive obligation as a result of a past event. It is recognised at the amount expected at reporting date for which the obligation will be settled in a future period.

Key estimates

Notified claims represent the estimated liability in relation to claims which have been notified but not yet admitted as a claim. Claims are brought to account in the year they are notified.

	2018	2017
	\$'000	\$'000
Opening notified claims	881	2,662
Add notified claims (net of reversals)	125	920
Less payment of notified claims	(719)	(2,701)
Total provision for notified claims	287	881

D1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial report requires the making of estimations and assumptions that affect the recognised amounts of claims liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including likely assessments of each claim based on facts present. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Other than provision for notified claims disclosed in Note C6, the entity has made no judgements or assumptions which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**Recognition of Financial Instruments**

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 of Financial Instruments

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at amortised cost (see note C1)
- Receivables – held at amortised cost (see note C2)
- Investments – fair value through profit or loss (see note C3)
- Payables – held at amortised cost (see note C4)

The Fund does not enter into transaction for speculative purposes, nor for hedging. The Fund's financial instruments consist mainly of deposits with banks and investment in managed funds

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

D2 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)**Financial risk**

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

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.

Management regularly reviews the performance and ensures all investments held are within the approved mandate.

The Fund manages interest rate and price risks through sensitivity analysis. The sensitivity analysis is performed relating to the Fund's exposure to interest rate risk, and price risk at the end of the reporting period. The sensitivity analysis demonstrates the effect on the current year profit which could result from a change in interest rate and price as follows:

	2018	2017
	\$'000	\$'000

Interest rate sensitivity analysis:

At 30 June, the effect on profit as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Change in profit

	2018	2017
	\$'000	\$'000
Increase in interest rate by 1%	5	14
Decrease in interest rate by 1%	(5)	(14)

Price sensitivity analysis:

At 30 June, the effect on profit as a result of changes in the unit price of managed funds, with all other variables remaining constant would be as follows:

Change in profit

	2018	2017
	\$'000	\$'000
Increase in managed funds unit price by 5%	1,536	1,422
Decrease in managed funds unit price by 5%	(1,536)	(1,422)

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 against the budget. 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.

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018**D3 CONTINGENT LIABILITIES AND EVENTS AFTER BALANCE DATE**

Contingent liabilities at 30 June 2018 were as follows:

	2018	2017
	\$'000	\$'000
Potential claims relating to one North Queensland legal practice with a deficiency at year end of \$1,439,248 in its trust account. As at the date of this report, advice was received of two potential claims amounting to:	336	-
Total contingent liabilities	336	-

There are no events subsequent to reporting date requiring disclosure in the financial report.

D4 FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian accounting standards issued with future commencement dates are:

AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

This Standard will become effective from reporting periods beginning on or after 1 January 2019 and contains much more detailed requirements for the accounting for certain types of revenue from customers.

Depending on the specific contractual terms, the new requirements may potentially result in a change to the timing of revenue from practitioner levies, such that some revenue may need to be deferred to a later reporting period to the extent that the Fund has received cash but has not met its associated obligations (such amounts would be reported as a liability (unearned revenue).

The new standard is not expected to have a material impact on the Fund.

AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)

These standards will first apply to the Fund from its financial statements for 2018-19 with a 1 July 2018 date of transition. The main impacts of these standards on the Fund are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the Fund's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The Fund has reviewed the impact of AASB 9 on the classification and measurement of its financial assets. The following summarises the estimated impact (or ranges of estimates) of AASB 9 will change the categorisation and valuation of the amounts reported in Note C2.

- There will be no change to either the classification or valuation of the cash and cash equivalent item.
- Receivables will be classified and measured at amortised cost, similar to the current classification of receivables. However, new impairment requirements will result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Fund will be adopting the simplified approach under AASB 9 and measure lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision.

Applying this approach, the Fund has estimated that there is no requirement for the provision for impairment for receivables on 1 July 2018.

- The investments are currently measured at fair value through profit and loss. However as these investments are held for strategic rather than financial purposes, the Fund intends to make an irrevocable election on adoption of AASB 9 in 2018-19 that each individual investment will be categorised as Fair Value through Other Comprehensive Income (FVOCI). As such, while their fair value will be represented in the statement of comprehensive income, changes in value will be recognised in OCI rather than profit. The amount will not be recycled through profit when the investments are disposed of.
- All financial liabilities will continue to be measured at amortised cost. The Fund does not expect a material change in the reported value of financial liabilities.

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Notes to the Financial Statements for the year ended 30 June 2018

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 2017-18.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted in 2017-18.

Accounting Standards Applied for the First Time

Accounting Standards applied for the first time in the 2017-18 financial year had no material impact on the Fund.

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 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.

LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Management Certificate for the year ended 30 June 2018

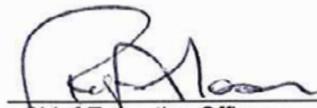
These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify 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 Legal Practitioners' Fidelity Guarantee Fund for the financial year ended 30 June 2018 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
Ken Taylor

30/8/18



Chief Executive Officer
Queensland Law Society
Rolf Moses

30/8/18



LEGAL PRACTITIONERS' FIDELITY GUARANTEE 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 the Legal Practitioners' Fidelity Guarantee Fund.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2018, 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 2018, 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 certificates given by the President and the Chief Executive Officer.

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 ENTITY 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.



LEGAL PRACTITIONERS' FIDELITY GUARANTEE FUND

Independent Auditor's 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.
- 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

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

A handwritten signature in black ink, appearing to read 'jWelsh'.

John Welsh
as delegate of the Auditor-General

31 August 2018

Queensland Audit Office
Brisbane