

Te Tari Ture o te Karauna

Crown Law

The coat of arms of New Zealand, featuring a shield supported by a Māori woman on the left and a European woman on the right. The shield is divided into four quadrants: top-left (blue with a white star), top-right (red with a white anchor), bottom-left (white with a blue cross), and bottom-right (blue with a white cross). A crown sits atop the shield, and a banner below reads "NEW ZEALAND".

Presented to the House of Representatives pursuant to section 44(1) of the Public Finance Act 1989

Annual Report 2015/16

Contents

QUICK LOOK AT 2015/16	3
INTRODUCTION FROM THE SOLICITOR-GENERAL	4
OUR PERFORMANCE FRAMEWORK	5
ORGANISATION AND STRATEGY	6
THE DIFFERENCE WE MAKE AND WIDER OUTCOMES	7
OUR APPROACH TO QUALITY	10
HOW WE WORK AND OUR VALUE FOR MONEY	16
OUR OUTPUTS	20
IMPACT 1 ► OFFENDERS ARE HELD TO ACCOUNT	20
IMPACT 2 ► INCREASED TRUST IN THE JUSTICE SYSTEM	22
IMPACT 3 ► REDUCED LEGAL RISKS TO THE CROWN	27
STATEMENT OF SERVICE PERFORMANCE	31
STATEMENT OF RESPONSIBILITY	46
INDEPENDENT AUDITOR'S REPORT	47
FINANCIAL STATEMENTS	50
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	50
STATEMENT OF FINANCIAL POSITION	51
STATEMENT OF CHANGES IN EQUITY	52
STATEMENT OF CASH FLOWS	53
STATEMENT OF COMMITMENTS	54
STATEMENT OF CONTINGENT LIABILITIES AND CONTINGENT ASSETS	55
NOTES TO THE FINANCIAL STATEMENTS	56
SCHEDULE OF TRUST MONIES	73
STATEMENT OF DEPARTMENTAL UNAPPROPRIATED EXPENSES AND CAPITAL EXPENDITURE	74
STATEMENT OF BUDGETED AND ACTUAL EXPENSES AND CAPITAL EXPENDITURE INCURRED AGAINST APPROPRIATIONS	75

Quick look at 2015/16

ATTORNEY-GENERAL FEEDBACK

100% good to excellent

LEGAL ADVICE AND REPRESENTATION CLIENT FEEDBACK OVERALL

100% good to excellent

GOVERNMENT LEGAL NETWORK OF

800+ lawyers

APPEALS BROUGHT BY THE CROWN CONCLUDED

88% in favour of the Crown

APPEALS BROUGHT BY ACCUSED/DEFENDANTS CONCLUDED

25% in favour of the accused/defendant

CROWN SOLICITOR QUALITY ASSURANCE

5 reviews

CROWN PROSECUTIONS AND APPEALS

5,849 matters

CROWN PROSECUTIONS AND APPEALS

195,707 hours of service provided

ADVICE ON BEHALF OF THE ATTORNEY-GENERAL

179 matters

JUDICIAL REVIEWS

108 reviews

CLAIMS BEFORE WAITANGI TRIBUNAL

48 claims

WRITTEN OPINIONS AND ADVICE

96% peer reviewed

Introduction from the Solicitor-General

Three years ago Crown Law laid out a strategy to refocus on core Crown work including a new structure, a move to the Justice Centre and establishing a presence in Auckland. This year we are seeing the benefits of those changes. Our role as the Crown's trusted legal advisor has been advanced, and our clients continue to value our service highly. This facilitates the delivery of efficient, effective and sustainable services, including managing Crown legal risk.

In April 2016 Cabinet approved the permanent establishment of the Government Legal Network (GLN). Through our system leadership we have forged strong networks with the government legal sector. Through these networks we deliver to the Government the full coordinated value from its in-house legal resource. This helps it to manage risk, take opportunities and govern according to law.

The Crown Solicitor Network (CSN) received new funding in Budget 2016 to ensure a sustainable network that is well understood and strong. This means CSN is better funded to deliver high-quality prosecution services and to meet future demands.

Crown Law's Public Prosecutions Unit (PPU) can now focus on the longer-term goal of providing the Solicitor-General with greater oversight of all public prosecutions. Public prosecutions include Crown prosecutions (through Crown Solicitors) and non-Crown prosecutions conducted by Crown agencies.

We continue to focus on:

- developing our people by showing a visible leadership;
- strengthening the organisation;
- nurturing talent; and
- being future focused.

Our people are well regarded, evidenced by being sought out for input into complex legal issues, and by those moving into key leadership roles in government and senior roles in the legal profession.

Our leadership in electronic and mobile working continues as we move further away from reliance on physical files. We now use e-cases, which are well embedded in the court system.

Significant cases and matters of interest during the year included work on:

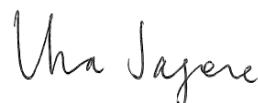
- the successful District Court dismissal of the application for a stay of execution of the Dotcom extradition, and preparation for the High Court appeal of that dismissal;
- responding to the Kiwifruit Claim in which about 200 growers and post-harvest operators alleged the negligence of border control allowed a pathogenic bacterium ("Psa-V") into New Zealand; and
- a number of significant developments in litigation involving Crown-Māori relations.

This year has also seen improved health and safety policies and processes implemented to meet increased legislative expectations.

We will be undergoing a Performance Improvement Framework (PIF) review in late 2016. This review will provide a basis for refocusing our vision and future direction. Our primary focus will continue to be strengthening trust in our justice system, holding offenders to account and ensuring the Government acts lawfully.

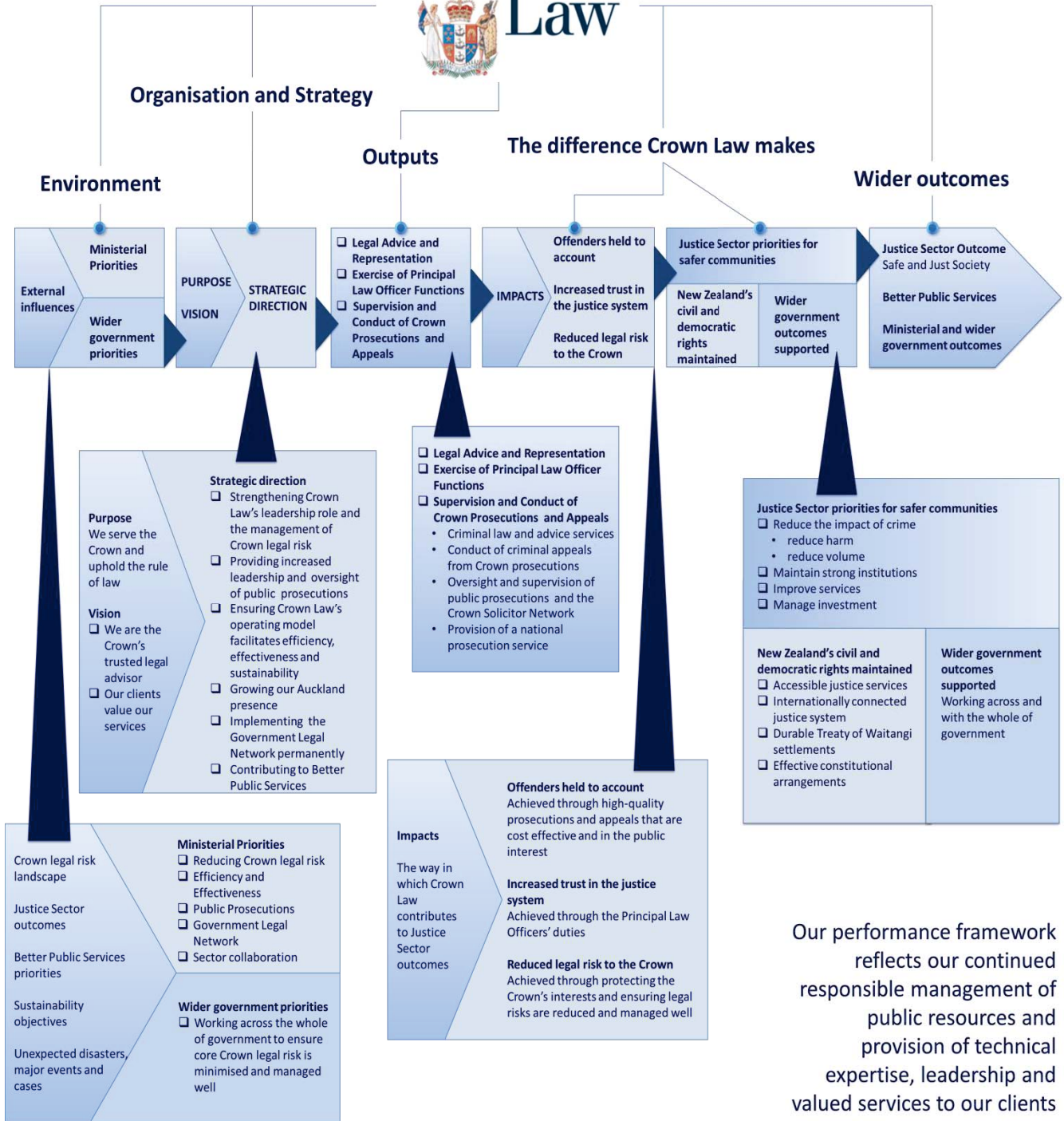
"visible leadership, organisational strengthening, nurturing talent and being future focused"

I take this opportunity to acknowledge and thank my Crown Law team for their part in taking Crown Law to this positive platform, along with our GLN, Crown Solicitor and Justice Sector colleagues, for their support and collaboration.



Una Jagose QC
Solicitor-General and Chief Executive

Our performance framework



Our performance framework reflects our continued responsible management of public resources and provision of technical expertise, leadership and valued services to our clients

Organisation and strategy

Our purpose

Crown Law is a government department that provides legal advice and representation to government (in matters affecting the executive government). We focus particularly on criminal, public and administrative law. We support the Attorney-General and the Solicitor-General. We serve the Crown and uphold the rule of law.

The Principal Law Officers

The Attorney-General is the senior Law Officer of the Crown. Their principal responsibility is for the Government's administration of the law. The Attorney-General is also a Minister of the Crown, with ministerial responsibility for Crown Law.

The Solicitor-General is the junior Law Officer, and is the Government's chief legal advisor and advocate in the courts. The Solicitor-General is an official of government and Chief Executive of Crown Law.

“We serve the Crown and uphold the rule of law”

Our focus is on core Crown legal work. This includes matters of such significance for the Crown that they should be undertaken under the supervision of the Law Officers. It equates to the core legal work for which the Law Officers are constitutionally responsible.

Our expertise

Crown Law supports the Crown in many unique and varied legal matters. The wide-ranging areas include:

- human rights;
- land and environment interests;
- social services;
- citizenship;
- cultural issues;
- protection of revenue;
- international obligations; and
- the Treaty of Waitangi.

We participate in crucial All-of-Government (AoG) responses to national disasters and inquiries, such as the recovery after the Christchurch earthquakes. We are also responsible for managing and supervising the Crown Solicitor

Network (CSN) in the conduct of Crown prosecutions, and for providing oversight of public prosecutions conducted by government agencies.

Our vision

Crown Law's vision is that we are the Crown's trusted legal advisor and that our clients value our services. We are the first choice for Ministers, Chief Executives and Chief Legal Advisors for core Crown legal advice and litigation. We are highly respected as the leading administrative and public law experts. The Government knows that it is meeting its legal obligations and is able to make decisions to advance its policy programme.

We achieve this by being:

- clear about our focus;
- passionate about what we do;
- rigorous in enforcing high standards of technical ability and service; and
- focused on providing excellent client service.

We work collaboratively to meet client needs, professionally and cost effectively, while also managing legal risk across government.

Our strategic direction

Crown Law's strategic priorities will enable us to continue to provide high-quality, cost-effective legal advice and services. Over the medium term, to support our strategic priorities, we will:

- strengthen our leadership role and the management of Crown legal risk;
- provide increased leadership and oversight of public prosecutions;
- ensure our operating model facilitates efficiency, effectiveness and sustainability;
- implement the Government Legal Network permanently;
- maintain and grow our Auckland presence; and
- work with justice sector agencies to contribute to Better Public Services (BPS), and maintain high standards of institutional integrity and public confidence in the justice sector.

“Crown Law's vision is that we are the Crown's trusted legal advisor”

The difference we make and wider outcomes

Our contribution to government goals

WIDER GOVERNMENT OUTCOMES

- A more productive and competitive economy
- Better public services
- Christchurch rebuild
- Responsibility to manage the Government's finances

Crown Law's work contributes to all sectors of government. While our home is within the justice sector, we support agencies in other government sectors to manage their legal risks and obligations. In particular, we provide legal advice and representation services and the exercise of the Principal Law Officer functions. This helps other agencies to deliver on their responsibilities and achieve their outcomes.

JUSTICE SECTOR OUTCOMES

- A safe, fair and prosperous society

The Ministry of Justice is the lead agency in the justice sector which includes Crown Law, New Zealand Police, Department of Corrections, Serious Fraud Office, and the Ministry of Social Development (for youth justice).

Justice sector Ministers recognise that achieving the best outcomes for people participating in justice sector processes requires all agencies to work towards the same goals. The ultimate justice sector outcome is a "safe and just society", which is achieved through shared priorities as noted below.

Policy, legislative and operational changes across the sector will continue to be substantial as we respond to the Government's ambitious Better Public Services targets to reduce crime (total crime, violent crime and youth crime) and reoffending. The justice sector Results Action Plan sets out a roadmap for achieving the following results:

- reduce opportunities for crime;
- target vulnerable youth and youth offenders;
- reduce alcohol and drug abuse; and
- reduce reoffending.

We support progress towards those justice sector Better Public Services results by ensuring offenders are held to account through high-quality prosecutions and criminal appeals.

HOW WE CONTRIBUTE TO JUSTICE SECTOR AND WIDER OUTCOMES

- Reduced legal risk to the Crown
- Offenders held to account
- Increased trust in the justice system

The public mostly sees the impact of our supervision of high-quality prosecution services and our oversight and management of the CSN that provides prosecution services. In delivering such services, we focus on bringing the best prosecution possible so that every finding is founded on legal arguments of the highest quality.

Although the public might not see the effects of our legal advice and services to the Government and departments, we play a significant role in enabling the Government and departments to operate confidently within the law. As set out in the Cabinet Directions for the Conduct of Crown Legal Business 2016¹, this includes checking that any actual or proposed exercise of public power, duties or functions is legal.

Our legal advice and services also help to reduce and manage legal risks to the Crown. When questions of law arise, these services help public departments to provide services and act without fear that they will break any law or regulation. This assurance is vital if government's dealings with other countries, businesses and private citizens are to run smoothly.

"Crown Law's focus is in bringing the best prosecution possible so that every finding is founded on legal arguments of the highest quality"

¹ <http://cabinetmanual.cabinetoffice.govt.nz/appendix-c>

Our Collaborations

GOVERNMENT LEGAL NETWORK

Background

As part of our role in promoting a ‘one Crown’ approach to the management of legal risk, we actively support and participate in the Government Legal Network (GLN). The GLN is a collaboration of 800+ lawyers who work in government departments. Its main objective is to provide high-quality legal advice, services and value to the Crown. This provision contributes to the delivery of the Government’s priorities.

The Solicitor-General, as the Head of Profession, leads the GLN. Governance and management of the GLN is provided by a combination of the GLN Board, Chief Legal Advisors, and the GLN Director and team. The GLN unit was funded from the Legal Advice and Representation memorandum account to 30 June 2016. New Crown funding of \$0.885 million per annum was approved in Budget 2016.

Achievements

Although many opportunities lie ahead, the results to date are generating tangible and qualitative benefits. Seven of the GLN’s centre-led and collaborative initiatives are outlined below.

1. A Legal Risk Reporting System was introduced in 2014 and is now well established. This system makes significant legal risk across the public service more visible. It also provides a more informed basis on which to make decisions about risk management, prevention and mitigation.
2. Joint procurement opportunities were identified and facilitated using a whole-of-system perspective. One example is the GLN-led negotiation with two legal research resource providers.
3. Numerous GLN-led training activities allow lawyers to broaden their expertise and connect with colleagues from other departments.
4. The GLN Online shared workspace enables the sharing (subject to legal privilege restrictions) of training materials, precedents, legal opinions and other information. Such sharing reduces duplication and promotes work efficiency. It also provides a centralised source of legal research tools and a Lawyers’ Directory which allows quick access to sector wide expertise.

5. Support to the Solicitor-General in building workforce resilience and succession planning.
6. Summer clerk and graduate programmes continue to coordinate the appointment of candidates. This creates efficiency and savings in recruitment, training and development. The GLN promotes the career of a government lawyer and helps to build the legal talent pool for the future workforce (increased awareness is helped by the GLN public facing website: www.gln.govt.nz). The recent GLN summer clerk programme and graduate programme each attracted 160 to 170 applicants. This shows significant interest in legal careers within government.
7. Legal Practice Groups formed around sector, subject matter, functional interests or expertise. These groups enhance knowledge-sharing, risk identification, capability development, collegiality and professional development. They also provide Continuing Professional Development (CPD) compliant training opportunities.

“results to date are generating tangible and qualitative benefits”

Ongoing priorities

GLN initiatives to be investigated or expanded upon include those to:

- identify and implement areas for joint purchasing (potential opportunities identified include regulatory and legal compliance tools and practice management systems);
- identify and implement ongoing talent management and workforce development, succession planning and workforce resilience, and build the available talent pool;
- identify opportunities to share legal expertise and resources across departments (such as for employment, procurement, contract and ICT (Information and Communications Technology) law);
- facilitate legal recruitment on behalf of departments;
- investigate smart uses of technology for lawyers (particularly knowledge management and search tools); and

- expand and formalise the inclusion of Crown entity lawyers to provide strengthened access to GLN services and resources that can assist with the identification and management of legal risk.

Reporting

The above activities create opportunities to better identify, report and manage legal risk at a system level while facilitating continuity planning. To see the effect of these opportunities over time, we

developed a set of criteria against which to assess legal functions. Introducing these criteria was an important step to:

- better align Better Administrative and Support Services (BASS) measures with the essential elements of the in-house legal function; and
- provide a stronger basis for tracking how an agency improves its capability.



<http://www.gln.govt.nz>

PACIFIC ISLANDS LAW OFFICERS' NETWORK

Crown Law supports the maintenance of good governance and the rule of law in the Pacific by being a member of the Pacific Islands Law Officers' Network (PILON). We are committed to assisting legal systems in the Pacific, as shown by our significant contributions to PILON's activities and our continuing legal education of practitioners (through the Litigation Skills Programmes (LSPs)). Our involvement in PILON generates immense goodwill and greatly enhances New Zealand's relationships with Pacific nations. New Zealand is a longstanding member of the PILON Executive Committee and is due to host the PILON annual general meeting in 2019.

Members of the Pacific judiciary have noted the distinct improvement in the litigation and advocacy skills of Pacific lawyers who have completed the LSPs. The expected rising standard of the legal profession in the Pacific states will help to demonstrate internationally that those states have fair, efficient and modern legal systems. This will help the states to strengthen their international trade and development.

Crown Law's education role in the Pacific legal community

The LSPs are part of wider continuing legal education. In particular, the LSPs provide more

training opportunities for lawyers to develop expertise in court work. In turn, this contributes to the function of justice systems in the Pacific and the rule of law internationally.

The LSPs, designed in New Zealand, are adapted from programmes developed by the US National Institute for Trial Advocacy. The LSP has two programme levels:

- basic level for lawyers 2–5 years in practice (running since 1996); and
- advanced level for lawyers 6–10 years in practice (first run in 2012).

Programmes over the next five years

In January 2015 a memorandum of understanding was signed with the Ministry of Foreign Affairs and Trade (MFAT) to provide three basic level programmes and two advanced level programmes over five years (2015–2019). The first basic level programme was completed in Samoa at the end of 2015. The budget for the five years is about \$1.7 million, to be funded by MFAT. Crown Law provides the coordination, labour and experience to produce the programmes. The New Zealand Law Society owns the programme materials.

“this contributes to the function of justice systems in the Pacific and the rule of law internationally”

Our approach to quality

Quality of our legal advice and services

Crown Law strives to maintain the highest possible levels of legal advice and services based on cost effective and practical advice. Our quality is our reputation. The quality of legal advice and services that we and the CSN provide is founded on formal guidance, regulations, systems and knowledge of the Crown's core business and key legal risks. Our daily practices complement the formal mechanisms. Those practices invite Crown Counsel (at every level of experience) to share their knowledge and any challenges they have faced in their role. We are fortunate to attract some of the best legal practitioners who then share their skills. The quality of these professionals is highlighted by the number appointed to the Bench (who become Judges). Others appointed to significant roles include Inspector-General of Intelligence and Security, Deputy Inspector-General of Intelligence and Security, Director of the Public Defence Service, and, notably, Solicitor-General.

“Our quality is our reputation”

The achievement of high quality does not happen by chance: it is supported by an organisational culture of high performance. What we do is aligned with our vision to be the Crown's trusted legal advisor and so our clients continue to value our services. We have the right people with the right technical skills. We have implemented secure ICT so that our staff can provide services to clients where and when they need us.

In pursuing excellence, we maintain standards that meet external requirements for compliance, integrity and accountability. While our work has a level of security, we still need to show our confidence in the quality of our legal advice and services. To achieve this, we need credible mechanisms that confirm quality or logically lead to the provision of high-quality, fit-for-purpose advice that meets our clients' expectations.

Drivers of quality

Our legal staff must maintain a programme of continuous professional development (CPD), as monitored by the New Zealand Law Society. Our legal staff must also receive feedback from within Crown Law about opportunities to improve through our performance management framework. We also provide other in-house

opportunities for CPD and education on various topics. These include the Crown Law Seminar Series (run by our Education Group to provide continuing legal education within the Office) and the Crown Law Practice seminar series/workshops.

Our Professional Standards Committee keeps our practice under review, ensuring policies and guidelines are up to date. This means that staff are assured of using best practice. Advice provided to clients is provided on behalf of the Solicitor-General. All advice, whether written (formal written advice or by email) or oral, must be provided within the framework of principles set out in our policies and guidelines. Our policy for providing timely, relevant and robust advice includes our peer review process and litigation management planning.

High-quality internal support for legal teams

The depth of work behind the cost-effective, high-quality legal advice and services we provide includes support for legal teams. This includes our highly experienced Historical Research Team, Law Librarians and Legal Support staff. The services these teams provide in-house are consistently of the high standards needed by Crown Law's Counsel.

Peer review and consultation

The peer review process involves staff with expertise in the relevant legal areas working together to reach professional consensus. This is achieved by introducing 'fresh expert eyes' into the workflow. All substantive Crown Law advice must be peer reviewed. The law can be very technical and complex, and we must consider the future direction and interpretation of today's laws. When our advice is needed urgently, we make clear the status of that advice. For non-urgent advice, we seek agreement to peer review the advice before finalising it. The diagram on page 11 summarises how client feedback, expertise of Crown Counsel, our internal peer review guidelines and practice all contribute to us delivering high-quality legal advice and services.

In preparing less substantive (yet still accurate) legal advice, we may get the views of other Crown Law staff. One example is a quick review of information that another agency has prepared, where we need to check a point or definition before proceeding.

Peer review: helping maintain high quality



Litigation management planning

Case management helps to establish a framework for the effective and efficient commissioning and running of a case. This increases the prospects of a successful outcome. Our litigation management planning principles focus on being proactive, effective and efficient while strengthening relationships with our clients and stakeholders. As with all our work, the outcome should be consistent with wider Crown interests.

When we receive a case, a legal team manager grades the matter on its significance and complexity. The number and seniority of Counsel assigned to the case will reflect the grading of the case.

The diagram below summarises the case management process that helps us to provide high-quality legal advice and services.

Litigation Management: helping maintain high quality



The process will have the greatest value if communication is well established and the case management plan is up to date. Planning will be

reviewed and updated if, for instance, significant events or developments must be considered when deciding how to manage the case.

When the case has ended, we debrief to consider what we and the client can learn from the experience. Our debriefing helps to frame how future litigation is handled.

Feedback from our clients

In providing legal advice and representation, our clients provide feedback so that we can identify opportunities to improve the value of our services. The Attorney-General provides feedback about our legal services (see page 39). We also report yearly on the results of our client survey (see pages 43 and 44). Our target is 80 per cent of responses being 'good' to 'excellent'. The survey 5-point scale of responses (from lowest to highest) is poor; did not meet expectations; good; very good; excellent.

As our clients are mostly senior government lawyers, the feedback is from experienced and technically knowledgeable legal professionals. The survey offers an opportunity to rate important factors of service and to provide comments on each. Open-ended questions invite comments about what we did well and what we can do to improve our legal advice and services. Our Leadership Team and legal teams review and use the responses to identify areas where we can work with our clients to improve our services.

Client feedback identified improving timeliness as one area we should work on to strengthen the quality of our services. Overall, the survey feedback reflects the high quality of legal advice and services that we provide.

Our strategic objectives focus on being proactive, efficient, practical and relevant—providing solutions on budget and on time.

We must understand our clients' objectives, meet their business needs and make sure our work for them is of the highest standard.

Public Prosecutions Unit (PPU)

Background

The PPU provides oversight and supervision of public prosecutions (Crown prosecutions, through Crown Solicitors, and non-Crown prosecutions conducted by New Zealand Police, departments and Crown entities) from within Crown Law.

The PPU is headed by the Public Prosecutions Manager, who is responsible to the Deputy Solicitor-General (Criminal). The initial focus of the PPU was on managing the funding for Crown prosecutions within appropriation. The PPU will now focus on the longer-term goal of providing the Solicitor-General with greater oversight of all public prosecutions. This includes, but is not limited to, prosecutions started by the 37 departments and Crown entities with a prosecution function.

Public Prosecutions Reporting Framework (PPRF)

The PPRF is the principle mechanism through which the Solicitor-General is provided with greater oversight of public prosecutions. Reports are done monthly and yearly. The monthly reports focus on individual cases and provide information about the type and cost of the service provided. The yearly report provides higher-level statistical information about the structure and resource applied to the prosecution function.

All 16 Crown Solicitors and 37 agencies with a prosecution function are part of the PPRF. Already the framework has provided a level of insight not previously available. The reporting to date indicates that the PPRF supports identifying and sharing best practices, and will help ensure appropriate levels of consistency across the prosecution work of government. This creates efficiencies for the justice sector. The PPRF is now revealing a picture of areas for further understanding. This will be achieved through assessment of individual agency prosecution functions and linked to the oversight of public prosecutions.

The PPRF will be linked to future review processes—as outlined in the next sections that discuss the oversight of public prosecutions by the Crown Solicitors and Crown Agencies.

CROWN SOLICITOR NETWORK OVERSIGHT

The Crown Solicitor Network (CSN) delivers Crown prosecution services and is comprised of Crown Solicitors appointed by the Governor-General, on the recommendation of the Attorney-General. The CSN is funded through the Conduct of Crown Prosecutions appropriation.

CSN standards of service

Crown Solicitors are guided by the Terms of Office for Crown Solicitors. These Terms set out the Solicitor-General's expectations of Crown Solicitors and outline the funding arrangements and requirements for periodic reviews. The Terms clearly state that Crown Solicitors and Crown Prosecutors are expected to uphold the highest standards of personal and professional conduct and are subject to the Lawyers (Conduct and Client Care) Rules. Crown Solicitors must also comply with all directions and instructions, and observe guidelines, issued by the Solicitor-General.

This includes, for example, the Solicitor-General's Prosecution Guidelines. These guidelines are intended to ensure that core prosecution values underpin the principles and practices of prosecutions in New Zealand. These values aim to achieve consistency and common standards in key decisions and trial practices, supporting open and fair processes that are reflected in results of the international indexes such as the World Justice Project Rule of Law Index (see page 40).

Oversight of quality of the CSN

The oversight functions, including the PPRF, are designed to provide information about Crown Solicitor workloads, and to gauge the value for money provided by the network. Regular reviews may examine:

- the legal acumen and performance of Crown Solicitors and their staff;
- the management of the work; and
- how the relationship with others is conducted in the justice sector.

A key driver of the oversight is to ensure the sustainability of Crown prosecution services.

In addition to the amount of work that the CSN handles, we need to have confidence in the quality of the services it provides. First, lawyers must follow a set of professional standards. Then, because the services provided are complex, a holistic approach to quality is used to gauge the level of service provided.

As professional requirements underpin the services provided, a range of factors from different sources at different levels of scrutiny can be used to gauge the quality of those services.

Assessing the quality of complex technical services requires the judgement of professionals who consider a range of relevant factors to form an expert opinion about standards of quality. This gives us a level of assurance about the quality of legal services provided by Crown Solicitors by answering the question: *Is the legal service provided of the standard expected?* To answer this question the PPU uses a tiered system reflected in the review process described in the next section.

“A key driver of the oversight is to ensure the provision of Crown prosecutions services remains sustainable”

At the highest level of the system is environmental feedback. Crown Solicitors carry out prosecutions in public within the framework of the justice system and as officers of the court. Within this environment, professionals and interested parties may volunteer feedback about the performance of Crown Solicitors. Ensuring the validity of comments requires some triangulation. As such Crown Law, and in particular the PPU, talks with members of the judiciary and prosecuting agencies to gain insight into how other professionals and interested parties view the performance of Crown Solicitors. Our representatives also visit Crown Solicitors, Judges and Heads of Bench.² Normally the PPU will meet each Crown Solicitor and a Judge in each warrant each year. Where resource constraints make it unfeasible to reach all areas of the network, discussions with the Heads of Bench contribute to assurance regarding the quality of the network.

At these meetings we gather feedback and discuss current issues. This enables feedback to be passed to, and discussed with, Crown Solicitors in a timely manner.

The next level involves two reviews of individual Crown Solicitors. The first review is based on interviews. The second is based on a survey.

² Each court is headed by a senior Judge, usually described as the Chief Judge or Principal Judge of that court. Such positions are often referred to as Heads of Bench.

The interview-based reviews are in depth and resource intensive, and may be guided by the environmental feedback and survey-based reviews. The purpose of the interview-based review is to support the Crown Solicitor in identifying areas to improve and develop.

For the survey-based review, key stakeholders provide us with high-level feedback on a range of topics. This review is designed to confirm there are no areas of serious concern and to reveal any issues for further investigation.

Using a combination of these two types of reviews, with five completed annually, Crown Law aims to review every Crown Solicitor at least once every three years.

High-level statement on quality of the Crown Solicitor Network

The high-level statement (see next page) is based on an approach that finds and verifies emerging and actual issues to identify areas of increased risk, accountability and potential for improvement. The absence of risks and issues can reveal the status of the network.

Rather than using specific direct measures of quality, we use this approach as we cannot control a range of environmental variables. For example, an integrated impact can be introduced by:

- types of cases;
- the quantity and quality of evidence available;
- witnesses;
- juries;
- the rationale of decisions that may later be successfully appealed; and
- unusual demands on resources in different warrants.

When assessing the basis for the high-level statement of the quality of the CSN, we consider the general expectations and standards applicable to Crown Solicitors. We also consider a range of other factors to give a reasonable overarching picture of the CSN. The sources of this information were covered in the previous section. These factors include:

- commitment of resources;
- good practice, such as peer reviews and supervision of staff;
- communication;
- timeliness;
- trial preparation;
- engagement with stakeholders; and
- decisions made in the performance of their duties.


High-level statement on the quality of the Crown Solicitor Network

The following high-level statements provide a four-step scale allowing us to describe how, with regard for the information above, we regard the overall quality of the CSN.

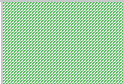
Assessment for 2015/16:

- For 2015/16 the Deputy Solicitor-General (Criminal Group) with the Public Prosecutions Unit determined that there are no serious issues (**Statement 1** in the scale below)
- This represents the maintenance of **Statement 1** achieved in 2014/15


1.

<p><i>No serious issues identified</i> THIS STATEMENT APPLIES TO 2015/16</p>	<p>Network quality overview:</p>	
<p>Our current view is the network as a whole is operating sustainably³ and the conduct of Crown Solicitors (and their employees representing them) is consistent with expectations and standards applicable to them as Crown Solicitors and lawyers.⁴</p>		


2.

<p><i>No serious issues identified; areas for improvement verified</i></p>	<p>Network quality overview:</p>	
<p>Our current view is the network as a whole is operating sustainably and the conduct of Crown Solicitors (and their employees representing them) is consistent with expectations and standards applicable to them as Crown Solicitors and lawyers. We identified and verified areas needing improvement. The Crown Solicitors are managing these areas appropriately.</p>		

3.

<p><i>Serious isolated issues identified</i></p>	<p>Network quality overview:</p>	
<p>Our current view is the network as a whole is operating sustainably. Overall, the wider conduct of Crown Solicitors (and their employees representing them) is consistent with expectations and standards applicable to them as Crown Solicitors and lawyers. We identified and verified serious isolated issues. The Crown Solicitors are managing these issues appropriately.</p>		

4.

<p><i>Serious issues affecting the wider network identified</i></p>	<p>Network quality overview:</p>	
<p>We identified and verified serious issues that are impacting or potentially could impact the sustainability or service performance of the network. The Crown Solicitors are managing these issues appropriately. They are acting to reduce the possible impact of serious risks that have emerged.</p>		

³ 'Sustainably' means applying appropriate resources and doing so within the bulk funding model in the given year. This is a retrospective view and is not a financial forecast for the next financial year and out-years.

⁴ 'Consistent' means no serious departure from the expected conduct and service performance was indicated and verified (which would then be managed through a review process or appropriate channels).

NON-CROWN PROSECUTIONS (CROWN AGENCIES) OVERSIGHT

The oversight and supervision of public prosecutions also includes non-Crown prosecutions conducted by agencies including New Zealand Police, departments and Crown entities.

Where lawyers in private practice or agency lawyers are instructed on a core⁵ Crown legal matter, the Solicitor-General retains oversight and may direct how those lawyers will provide their legal services. As part of an increased oversight of non-Crown prosecutions the PPU established the Public Prosecutions Advisory Board. The Board is comprised of nine Board members representing a selection of departments and Crown entities.

It is important for the Board to represent a wide range of agencies, including:

- agencies with high and low volumes of prosecutions;
- agencies that regulate a specific sector; and
- agencies that engage with the general public.

The Board helps us identify and manage inconsistencies in the prosecution decision-making process. We will continue to identify opportunities that will add value to the function and quality of public prosecution services.

Over time, the PPU will consult with agencies responsible for prosecutions to increase its oversight of those agencies. This development is in line with the review processes now in place for the CSN, as detailed above.

Victims' Rights Act 2002

The Victims' Rights Act 2002 ensures that the experience of victims of crime within the criminal justice system is what New Zealanders would expect of high-quality justice sector services. We anticipate that both the absence of complaints and the professional and respectful handling of any complaints will reflect the high quality of relevant legal services that we and the CSN provide. Our performance in this area is reported on page 36.

⁵ <http://cabinetmanual.cabinetoffice.govt.nz/appendix-c>

How we work and our value for money

Our operating environment

A number of factors influence Crown Law's work management programme. The entire government sector is operating within tight financial constraints that require us to do more with less. This means that we must operate sustainably within available funding. In line with government expectations we must be cost-effective in everything we do, to provide value-for-money services for our clients and the public. In doing so, we contribute to the relevant outcomes the Government is seeking. The Government has a much greater expectation that agencies will work together within and across sectors to improve the services they deliver and be more cost-effective.

We are involved in matters that cover a wide range of issues and areas of law. Our work covers, and is affected by, most aspects of government. We must anticipate and manage legal risks and respond as circumstances change. We must be flexible and maintain a broad perspective to provide effective legal services.

We must also be flexible if we are to continue to respond to unanticipated events. We will continue to play a significant role in the Government's response to, for example, large-scale disasters.

Responding to our environment

Crown Law is committed to improving our performance and capability. This includes:

- maintaining the appropriate mix of legal roles and experience; and
- enabling greater flexibility to deploy legal resources across teams and legal matters.

Our Auckland office is providing services in response to the prevalence of core Crown legal work in the Auckland region. Many of our clients have offices in Auckland and a growing proportion of Crown litigation is heard in the Auckland courts.

The benefits of our ongoing presence in Auckland include:

- increased efficiency in managing the large volume of Auckland criminal work;
- accessibility to our Auckland clients;
- collaboration with wider stakeholders; and
- accessing network and talent pools.

Client relations

Our strategic objectives focus on being proactive, efficient, practical and relevant, while providing solutions on budget and on time.

We will ensure we understand our clients' objectives, their business needs and that the work we do for them is of the highest standard. Our organisation is intent on demonstrating to clients how we are best placed to effectively and efficiently provide the services they need.

Our leadership and governance

The Leadership Team recognises that enhanced collective leadership and management capability is essential for our success. The Leadership Team, individually and collectively, is committed to improving the leadership, strategic focus and management of Crown Law.

Our leadership and governance is supported by our governance framework. The framework distinguishes between strategic leadership and operational management. This ensures we are directing the right capability to the right level of governance. This approach helps us to maximise the use of our resources without jeopardising the appropriate level of oversight, management and monitoring.

The strength of our main governance bodies, such as the Leadership Team and Operational Management Committee, is enhanced by groups and committees such as Project Steering Committees and the Professional Standards Committee.

An integrated system of monitoring and reporting supports our governance bodies to demonstrate Crown Law's performance. Our business data and associated measures will continue to provide assurance of our performance for internal management and external stakeholders.

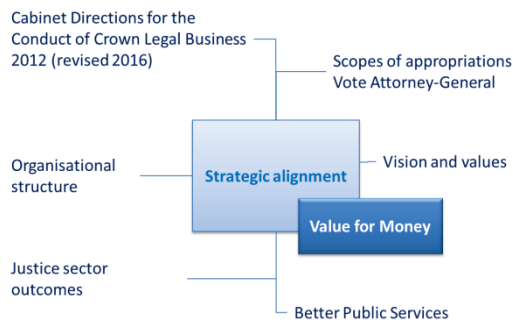
Strategic alignment

Crown Law's purpose is to serve the Crown and uphold the rule of law. Our vision is that we are the Crown's trusted legal advisor and our clients value our services. We are achieving this within the framework of the Cabinet Directions for the Conduct for Crown Legal Business 2016. In addition, as described above, our work is aligned with the scopes of the appropriations. Following on from external reviews in 2011/12 and 2012/13 Crown Law reviewed what constitutes our core

work and what our work programme should look like to ensure our funds and resources are put to best use. We also reviewed our strategy, corporate and legal functions to align with core Crown legal work.

Crown Law was restructured in 2013/14 to ensure we work in the most efficient way to deliver the best value and service to our clients. This improved our ability to support the Government’s priorities, justice sector outcomes and Better Public Services.

A Performance Improvement Framework (PIF) Review will be completed in November 2016. We consider the review as an opportunity to identify areas for improvement and to lift our overall performance. Output from the PIF review will inform the update of the Statement of Intent and Four Year Plan. The diagram below shows a high-level view of strategic factors that help to strengthen how we deliver value for money.



Our risk management

Crown Law is involved in a wide range of legal issues and areas spanning core government operations, functions and intentions. Inherent in our work is the anticipation and management of legal risks. This is important for keeping and strengthening the trust that New Zealanders have in the justice system, the rule of law and government. We must also be flexible if we are to continue to respond to unanticipated events and matters, including natural disasters.

For these reasons, we operate under an all-encompassing Risk Assessment Framework. It has two risk assessment processes: Legal Risk and Operational Risk (including technology, privacy, fraud and corruption, and business risk). The framework brings the two processes together as the delivery mechanism for our end-to-end risk framework.

Crown Law views risk from two key perspectives: the likelihood of its occurrence and the impact of its consequences. Events with a negative impact represent risks that can prevent or disrupt delivery

of legal and/or corporate services, or that can damage the agency’s reputation. To deliver value to our stakeholders, we work to understand the types of risks an agency faces and to deal with them appropriately.

Assurance and Risk Committee

In 2015 the Solicitor-General appointed the two independent members of our Assurance and Risk Committee (ARC). At the time of this report the independent committee members appointed are John Whitehead (previously Secretary to The Treasury) as ARC Chair, and Commander Ross Smith (Chief of Staff at NZ Defence Force Headquarters). The Deputy Chief Executive of Crown Law is the third committee member. The ARC advises the Solicitor-General on governance, risk management, internal controls, compliance, financial and other external reporting. A primary benefit of the ARC is its independence.

Future-proofing for sustainability

Crown Law is committed to living within our baseline. We have put considerable effort into better understanding our cost pressures and implementing measures to handle these pressures. These measures target our largest areas of expenditure: personnel, accommodation and Crown Solicitor services.

From 2014 we have monitored the long-term funding model (implemented in 2013) for Crown Solicitors so as to improve how we manage Crown prosecutions and to ensure costs remain within baseline. Our monitoring and subsequent reviews highlighted a growing concern that the medium to long-term sustainability of Crown prosecution services was at risk and, as a result, new funding of \$4.922 million a year was approved in Budget 2016 to handle these sustainability pressures.

Our organisational structure, working environment and accommodation arrangements implemented in 2013 continue to provide us with significant ongoing savings. From time to time we review and assess our contract management system and arrangements. We take part in several AoG contracts and we are engaged in the functional leadership process for property. We are committed to taking up other AoG contracts when and as appropriate.

Our technology and information management

Strategic approach

We aim to establish a technology environment that uses security, privacy and business continuity to help build integrity. We aim to do this while improving productivity through solutions that enable us to work in a flexible, mobile and collaborative environment. Our ICT Strategy outlines the benefits we expect from a strategic and coordinated approach to developing and using technology, focusing on four overarching ICT priorities: Mobile, Secure, Digital and Stable. Recent investment has significantly lifted our security and resilience, allowing us to introduce mobile and flexible working solutions. This investment has positioned us well to respond to the rapidly changing technology landscape. The result is a leaner, slicker and more effective technology estate for Crown Law.

“Mobile, Secure, Digital and Stable”

We are also well aligned to the NZ Government ICT Strategic Direction (*Destination 2017*) and have already adopted ‘Common Capability’ AoG panel services where appropriate.

Our people and capability

To achieve our vision of being the Government’s trusted advisors, we must be passionate about what we do and our employees must be engaged in what we do. In recent years we have had strong staff engagement and continuing that high level is a priority for our Leadership Team.

Our People Strategy

During the year we continued to embed our People Strategy, with the objective of sustaining a high-performance culture. The strategy will help ensure that Crown Law has the right ongoing capacity and mix of skills. Our structure is designed to promote our senior lawyers to assume roles best suited to their core skills, while also allowing junior Counsel to take on greater responsibilities. What we do and the quality of our work is supported by the ongoing reaffirmation of our values.

“Sustaining a high-performance culture”

Our organisational development aims to develop staff by providing in-house programmes that focus on such areas as the practice and development of the law, information resources, technologies and business practices. We actively encourage our people to attend and participate in external seminars and conferences. We also support our legal staff and our support staff as they develop their careers.

Our People Strategy imperatives are noted below.

- Hire for the right fit.
- Create greater clarity between roles and objectives.
- Clarify the link between pay and performance.
- Help managers provide constructive feedback.
- Provide high-impact, on-the-job learning.
- Empower employees to have a positive impact on the organisation.
- Build connections that allow employees to better carry out work activities.
- Align employees’ interests and job opportunities.
- Remove organisational barriers so as to manage effectiveness and impact.
- Redirect leader behaviours to meet challenging business needs.

Equal opportunity employer

As a public sector employer, we continue to provide equal employment opportunities with a particular interest in developing a stimulating working environment in which all staff can participate equitably and develop to their full potential. We consider that achieving a balance between work and life demands is critical to achieving this.

As to equity, the Leadership Team acknowledges the gender pay gap and is committed to creating an environment to reduce that gap. When comparing the salaries of our male and female staff who have the same roles, the gender pay gap is not significant and outliers can be explained. Four examples of our commitment (and two charts) are set out below.

1. Encouraging more flexible working arrangements and implementing the Flexible Working Arrangements Policy. We hope that implementing the Policy will:
 - help to reduce the barriers for women wanting to progress their careers; and
 - support both genders in receiving the same opportunities and benefits.

- Participating in a Workplace Flexibility Working Group led by the State Services Commission. The intention of the Group is to share ideas and learn from agencies that may have better workplace flexibility.
- Encouraging improved gender balance in administration roles. Gender balance, and more diverse teams in general, tends to improve team dynamics and performance by bringing diverse thinking and innovation to problem solving.

- Having the Leadership Team consider more information and analysis to better monitor and assess trends in the gender pay gap.

Workplace health and safety

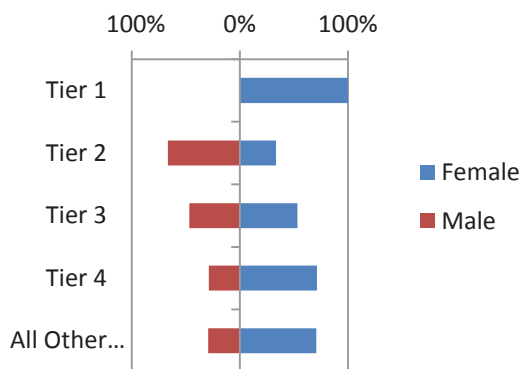
Crown Law is committed to the security and health and safety of our staff and of other workers (such as onsite contractors), suppliers, secondees and visitors. This commitment is shown in our effective management of health and safety risks and compliance with legislation.

We are committed to improving our health and safety practices continuously to reduce risks. Employee participation is critical to achieving this.

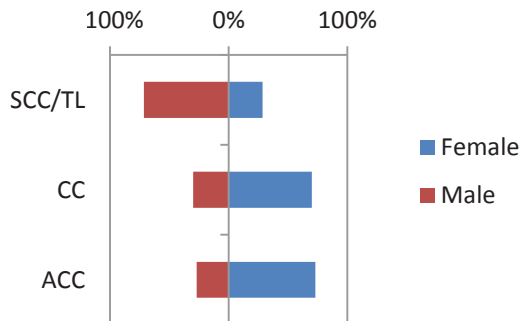
We have established a Worker Participation Agreement to set out exactly how staff will, on an ongoing basis, raise health and safety concerns, be part of making decisions that affect health and safety at work, and offer suggestions for improving health and safety.

The table on page 45 sets out our non-financial measures related to people and capability. These measures reflect the information provided in our Statement of Intent 2015–2018 (available on our website at <http://www.crownlaw.govt.nz>).

Gender Balance - Leadership View



Gender balance - Counsel View



SCC/TL: Senior Crown Counsel/Team Leader
 CC: Crown Counsel
 ACC: Assistant Crown Counsel

Our Outputs

Impact 1 ► Offenders are held to account

Appropriation

This work links to the Multi-Category Appropriation (MCA) *Supervision and conduct of Crown prosecutions and appeals*. Within the MCA are appropriations for:

- *Criminal Law Advice and Services*
- *Conduct of Criminal appeals from Crown Prosecutions*
- *Oversight and Supervision of Public Prosecutions and the Crown Solicitor Network*
- *Provision of a National Crown Prosecution Service*

Our purpose and intentions

Responsibility to provide oversight and services

The Solicitor-General is responsible for oversight of public prosecutions, Crown representation in criminal appeals and a number of specific statutory duties in how the criminal justice system is run. Crown prosecutions are mainly conducted by Crown Solicitors. They are appointed under warrant of the Governor-General and undertake work under the supervision of the Solicitor-General. Crown Law supports the Solicitor-General in their performance of this supervisory function.

Oversight and service delivery activities

The primary activities include:

- overseeing delivery of high-quality prosecutions, cost effectively and free from political interference;
- managing Crown Solicitor warrants and funding;
- conducting reviews of prosecution practices to ensure services are high quality and offer value for money;
- sharing knowledge among prosecutors;
- conducting criminal appeals in the High Court, Court of Appeal and Supreme Court/Privy Council (i.e. appeals brought by the Crown, or in response to appeals brought by the accused)—appeals to the Privy Council are now in very limited cases;

- providing advice on requests for Crown appeals, judicial reviews, stays of prosecution and consent to prosecute;
- making decisions on the granting of appeal requests from prosecuting agencies; and
- conducting Crown appeals against court-imposed sentences that are considered inadequate.

Public Prosecutions Unit

The Public Prosecutions Unit (PPU) manages the funding for Crown prosecutions, which includes those conducted by Crown Solicitors and the Serious Fraud Office.

The PPU also provides oversight of all public prosecutions for the Solicitor-General and provides advice to the justice sector on prosecution-related activities and initiatives.

See pages 12–15 for further information about the activities of the CSN and PPU.

Criminal Law

Crown Law also provides legal advice and responds to applications on criminal law issues. We provide legal advice and representation on interventions in respect of both alleged contempt of court and breaches of name suppression, and we oversee the prosecution work of the Serious Fraud Office.

We also assist in international criminal investigations, proceedings and extradition requests. We envisage that international work will continue to be an area of strong focus.

Performance overview

Service delivery is reported for criminal law advice and services and criminal appeals on pages 31–37. See pages 12–15 for the work that the PPU does to strengthen oversight across public prosecutions.

Significant and illustrative criminal matters

R v Wichman [2015] NZSC 198

This Crown appeal concerned the use of the Crime Scenario Undercover Technique or the “Mr Big” technique. Mr Wichman was suspected of killing his infant daughter so the New Zealand Police targeted him with an elaborate undercover operation aimed at obtaining a confession.

Essentially Wichman was recruited as an associate of what he considered to be a criminal organisation, but in fact consisted of undercover police officers. He was told that the organisation operated on the basis of loyalty, trust and honesty and also that it had the capacity (through an association with a corrupt police officer) to sort out problems with the police.

During the final phase of the operation, Wichman was questioned by the ostensible head of the organisation as to his background. In the course of this discussion, Wichman admitted that he had twice assaulted his daughter.

The majority upheld the Crown's appeal against the Court of Appeal's decision deciding that a defendant challenging a "Mr Big" confession should be able to satisfy the Evidence Act 2006 s 28(1) threshold. The result was that such a confession will only be admitted if the Judge is satisfied on the balance of probabilities that the circumstances in which the person confessed did not adversely affect the confession's reliability. The Court of Appeal ruled that Wichman's confession was admissible.

R v Kumar [2016] 1 NZLR 204

Mr Kumar was arrested for murder and exercised his right not to make a statement. Police advised Kumar's solicitor that they would not further interview Kumar unless new material about the case emerged. The police then put Kumar in a cell with two undercover police officers. While talking with these undercover officers, Kumar made statements that incriminated him.

The issue under appeal was whether the undercover police officers had "actively elicited" the relevant information from Kumar and, in so doing, breached his right to silence under s 23(4), and/or his right to legal advice under s 23(1)(b) of the New Zealand Bill of Rights Act 1990.

The Supreme Court held that whether the undercover officers "actively elicited" information meant considering both the nature of the exchange between Kumar and the undercover officers and the nature of the relationship between them. If the officers directed the conversation, they would have conducted the equivalent of an interrogation. An exchange between a suspect and an undercover officer leading to a statement may not take the form or have the style of an interrogation, but it may still perform the function of an interrogation if the undercover officer has actively sought relevant

information from the suspect by directing the conversation to matters of interest.

The Supreme Court dismissed the Crown's appeal against the Court of Appeal's decision that Kumar's incriminating statements were inadmissible.

United States of America v Dotcom and Others, District Court, North Shore, 23/12/2015, CRI-2012-092-1647, Judge Dawson

This is the District Court's decision on whether Mr Dotcom and some of his associates are eligible for extradition to the United States to face trial for conspiracy to commit copyright infringement, money laundering, racketeering and wire fraud.

The District Court found Dotcom and his associates eligible for surrender on all counts and dismissed the various applications for a stay of the extradition proceeding. The case took 10 weeks of hearing time, three and a half years of filing and thousands of pages of submissions and evidence.

Importantly, the District Court concluded: "The overwhelming preponderance of evidence produced by the applicant in the ROC [summary of evidence] and the SROC [supplementary summary of evidence] establishes a prima facie case to answer for all respondents on each of the counts."

An appeal against the District Court's decision started in the High Court in August 2016.

Impact 2 ► Increased trust in the justice system

This work links to the appropriation for the *Exercise of Principal Law Officer Functions*.

Our purpose and intentions

Responsibility to provide independent legal advice to the Crown

The Law Officers are responsible for providing independent legal advice to the Crown, free from political influence. This independence is critical in maintaining the integrity of the rule of law and is instrumental in minimising the risk of the Government acting unlawfully. Crown Law is responsible for supporting the Attorney-General and the Solicitor-General in performing their roles.

We are responsible for providing advice (to the Crown and government agencies) on legal issues, and on the legal and constitutional implications of policy proposals. The Cabinet Directions for the Conduct of Crown Legal Business 2016 set out particular legal matters that must be referred to the Solicitor-General.

Activities supporting the Law Officers

The primary activities to support Law Officers include:

- representation or advice about actual or imminent litigation to which the Government or an agency is (or may become) a party;
- legal services involving matters of the lawfulness of the exercise of government power;
- constitutional questions, including Treaty of Waitangi issues; and
- legal issues about the protection of revenue.

We also assist the Law Officers in the following areas. We:

- ensure that government actions are conducted according to the law;
- represent the public interest;
- manage the relationship of the Executive Government with the judiciary;
- administer the appointments of Judges to the higher courts and of Queen's Counsel;
- act on behalf of the Government in civil litigation;
- tell the House whether any provision in a Bill introduced to the House is inconsistent with the Bill of Rights Act 1990;
- support the supervision of charitable trusts;

- manage vexatious litigant proceedings;
- process applications for the discharge of adoption orders;
- process requests for second coronial inquiries;
- manage special patient reclassifications;
- defend judicial reviews; and
- provide legal advice and representation on intervention in respect to alleged contempt of court and breach of name suppression.

Policy work programme

Crown Law contributes effectively to policy work led by government agencies (mainly the justice sector) where that work has implications for the Law Officers, Crown Law, and/or the Crown Solicitors.

Our policy work programme is mostly focused on criminal justice proposals, constitutional proposals and those relating to functions such as the Solicitor-General's role in coronial inquests or the role of the Attorney-General as protector of charities.

In the past year, the policy role has contributed significantly to the Law Commission and justice sector reviews of:

- mutual assistance and extradition;
- the Crown Proceedings Act 1950;
- use of classified/security information in Court; and
- alternative trial processes for sexual violence.

In addition, Crown Law has been represented by the policy team on the justice sector Expert Group on Pipeline Impacts (EGPI) and General Managers' Steering Group for the justice sector Four Year Plan. This level of representation helps to ensure that we work with the justice sector as a whole to safeguard the integrity of the justice system.

Performance overview

See pages 38–41 for our service delivery in relation to the exercise of principal law officer functions.

Performance overview—international rankings

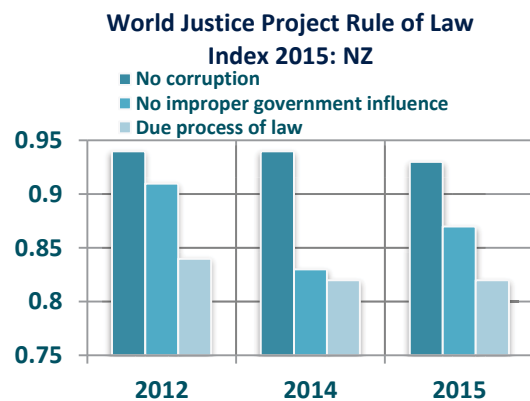
Crown Law contributes to increased trust in the justice system through the performance of the Principal Law Officers' constitutional and other duties.

To gauge the impact of Crown Law’s legal work, we look at international indexes rating New Zealand’s standing in matters related to justice. In international ratings for justice-related indexes New Zealand is very well regarded overall.

The World Justice Project Rule of Law Index 2015 is based on a range of factors focused on the operation of democracy and the enforcement of freedoms and rights, security and justice. In the overall Rule of Law Index, New Zealand is ranked first of the 15 regional East Asia and Pacific countries, and scores above average for countries of similar incomes. Globally, New Zealand is ranked 6/102 when all Index factors are considered. In the Index’s criminal justice focus overall, New Zealand is ranked 8/102.

According to the Index, New Zealand’s criminal investigations system had no significant problems. The system shows confidence in both prosecutorial independence and integrity.

The diagram below shows our country results across three key factors of the Rule of Law Index for 2012–2015.

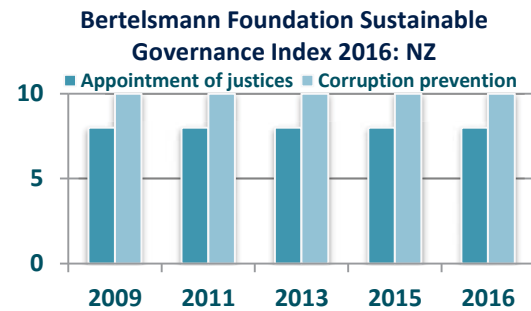


New Zealand’s international ratings for the Rule of Law Index (above) and Sustainable Governance Index (below) are detailed on pages 40–41.

The high rating for freedom from corruption in the World Justice Project Rule of Law Index is similarly reflected in the Bertelsmann Sustainable Governance Index. The 2016 Bertelsmann report⁶ stated: “Despite the lack of a written constitution, strong courts and a culture of respect for the law afford legal certainty. Corruption is very rare.” The Bertelsmann index maximum score is 10. New Zealand has returned a perfect score for

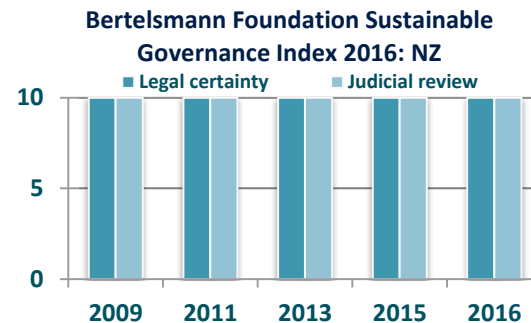
⁶ Sustainable Governance Indicators report for New Zealand, covering the period November 2014 to November 2015, <http://www.sgi-network.org/2016>

corruption prevention in the past five reports, as shown in the diagram below.

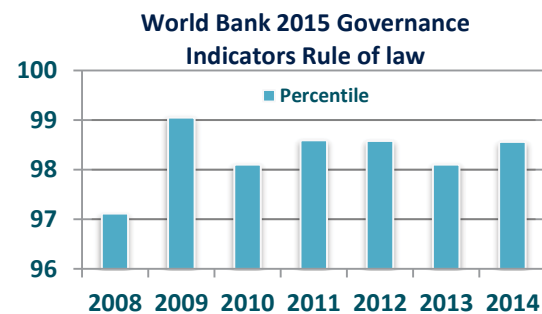


The 8/10 rating for appointment of Justices is related to the potential for strengthening formal reporting on this area of governance. Otherwise no issues were stated, reflecting the strength of New Zealand’s institutions.

We also contribute to reducing legal risks to the Crown by protecting the Crown’s interests and ensuring any risks are managed well. The reduction of risk is related to the following index measures, in which New Zealand scored a perfect 10 in the past five reports.



The World Bank Governance Indicators⁷ continue to rank New Zealand well for rule of law, placing New Zealand above the 98th percentile in the latest survey (for 2014) of more than 200 countries.



⁷ World Bank Governance Indicators 2015 Update, Aggregate Indicators of Governance 1996-2014 data, <http://www.worldbank.org/governance/wgi>

The Worldwide Governance Indicators project reports the perceptions of governance of a large number of survey respondents and expert assessments worldwide. Likewise, Transparency International's Corruption Perceptions Index placed New Zealand fourth of 168 states in 2015, scoring 88 of 100 (Denmark ranked first on 91).

While Crown Law contributes indirectly to these results, that contribution is made through the constitutional duties of the Principal Law Officers. This reduces risk to the Crown's interests, ensures legal certainty and prosecutes serious crime. This in turn helps New Zealand to achieve these rankings and supports the justice sector in making this a safe and just country.

Significant and illustrative legal and constitutional matters

B v Waitematā District Health Board

In this case the appellant, a former Waitematā District Health Board psychiatric patient, argued that the Board's smoke-free policy breaches the New Zealand Bill of Rights Act (BORA), specifically s 9 (torture), 19(1) (discrimination), s 23(5) (humanity and dignity in detention), and s 28 (preservation of other rights, including the right to home life) as applied to those mental health patients who are detained in the Board's Intensive Care Unit. The policy prohibits smoking inside the unit and on the grounds of all Board sites.

The Board succeeded in the High Court, and the Crown was granted leave to intervene in the Court of Appeal on the Bill of Rights Act questions.

In its decision the Court of Appeal noted that all District Health Boards are required to improve, promote and protect the health of people and their communities. In the Court's view, the question of how Boards accomplish these objectives is largely a matter of professional medical and ethical judgement.

The Court of Appeal found the policy did not breach any of the rights or freedoms affirmed in the BORA. The Court held that the policy did not amount to disproportionately severe treatment and that nicotine replacement therapy offered by the Board constituted a humane and meaningful alternative. The Court held that the policy did not deny detained mental health patients the right to be treated with humanity and with respect for their dignity. Such a right did not include concepts of autonomy or unbounded freedom to do as one

pleases, and did not include a freedom or right to smoke. The policy was also found not to discriminate against psychiatric patients who are detained.

Rather, the Court of Appeal saw the policy as directed at the phenomenon of smoking, applying to all people on Board premises. The Court also concluded that a claim of interference with private or home life could not succeed. No such pre-existing right had been established, let alone that such right (if it existed) included the right to smoke when in a hospital setting. Finally, the Court of Appeal determined that the policy is a demonstrably justified limitation under the BORA. The Court determined that the policy was proportionate and rationally connected to the objectives of protecting people on Board premises from second-hand smoke and encouraging patients and staff not to smoke, and doing what was necessary to achieve those objectives.

For these reasons, all grounds of appeal failed and the Court of Appeal dismissed the appeal. The appellant has appealed to the Supreme Court.

Taylor v Attorney-General

Mr Taylor and six other former and current prisoners (the applicants) sought a declaration that the Electoral (Disqualification of Sentenced Prisoners) Amendment Act 2010 was invalid. They claimed that the Act amended a "reserved provision" in s 74 of the Electoral Act 1993, and therefore ought to have been enacted by a Parliamentary majority of 75 per cent or a referendum. The 2010 Act removed the right to vote from prisoners serving sentences of less than three years in prison.

The High Court judgment dismissed the applicants' claims. The Court held that the only "reserved provision" of the 1993 Act was the provision that the voting age was 18 years or over. A "reserved provision" is capable of amendment only by either a 75 per cent majority of the House of Representatives or a majority of valid votes cast in a referendum. However, the Court's conclusion that the 2010 Act did not amend a reserved provision meant the applicants challenge on this ground failed.

The High Court also dismissed the applicants' other arguments about the removal of prisoner voting rights, including that it:

- is degrading or disproportionately severe treatment, contrary to s 9 of the New Zealand Bill of Rights Act 1990;

- breaches the right of prisoners to be treated with humanity and respect for their inherent dignity, contrary to s 23(5); or
- discriminates against Māori, contrary to s 19(1).

The applicants are appealing the decision.

Spencer v Ministry of Health

Mrs Spencer was joined as a party to *Atkinson v Ministry of Health*, a proceeding under the Human Rights Act in which the Human Rights Review Tribunal found the Ministry of Health's policy preventing payment to resident family members of disabled people for their care is unlawful. Spencer claimed payment (as a remedy under s 921 of the Human Rights Act 1993) for her services to her son on the basis that she had provided a residential care service to him in the family home. As Spencer claimed more than \$1 million, beyond the Tribunal's jurisdictional limit, her claim was heard on reference to the High Court.

The High Court found that Spencer's claim was outside the liability finding made in *Atkinson v Ministry of Health*, but that she had provided the equivalent of Home and Community Support Services to her son, which was one of the services considered in *Atkinson*. Spencer was compensated for her pecuniary losses on the basis of the services the Court considered her son would have attracted while living at her home if his mother had not been providing unpaid care for him.

The High Court rejected Spencer's claim for damages for humiliation, loss of dignity and injury to feelings. The High Court also made an order requiring officers of the Ministry of Health to receive training in the importance of the human rights of disabled persons and their caregivers.

CROWN-MĀORI RELATIONS

In 2015–16 we have continued to see a number of significant developments in litigation involving Crown–Māori relations.

Ririnui v Landcorp Farming Ltd

In this case the Supreme Court considered an application for judicial review on behalf of Ngāti Whakahemo that challenged Landcorp's sale of Whārere Farm and sought to have the agreement for sale and purchase set aside (so that it had no effect). The Appellant alleged the sale and purchase agreement was tainted by bad faith and erroneous advice from the Office of Treaty Settlements, and the Crown was wrong as a matter of law when it determined that it had no power to intervene to delay the sale.

By majority decision the Supreme Court declared that the decision of Landcorp's shareholding Ministers and the Minister for Treaty of Waitangi Negotiations not to intervene in the tender process on behalf of Ngāti Whakahemo, as they did on behalf of Ngāti Māhino, was a wrongful exercise of public power because it was made under a material mistake (relating to the Treaty settlement status of Ngāti Whakahemo).

The Supreme Court then by majority decision declared that Landcorp's decision to sell Whārere Farm was a wrongful exercise of a public power because it was made under the same material mistake. However, also by majority decision, the Supreme Court declined to grant the other forms of relief claimed, in particular the setting aside of the agreement for sale and purchase of Whārere farm.

The judgments make important observations about company law principles concerning the division of power between shareholders and directors, and the reviewability of commercial decisions of State-Owned Enterprises.

Proprietors of Wakatu v Attorney-General

In *Proprietors of Wakatu v Attorney-General*, the Supreme Court considered whether the Crown held lands in the Nelson region under fiduciary and trust law obligations for descendants of prior Māori owners. The Supreme Court has reserved its decision.

Ngāti Whātua-Ōrākei Trust v Attorney-General

Ngāti Whātua-Ōrākei Trust seeks High Court declarations that the Crown must not use land in central Auckland for Treaty settlements with other iwi if doing so would be contrary to tikanga. The Crown's decisions to use the properties as redress are to be given effect only by legislation. The defendants (the Crown, Ngāti Pāoa and the Marutūāhu Collective) say the decision is therefore not one that it is appropriate for a court to decide. The defendants have applied to strike out the proceedings (that is, to bring the proceedings to an end because there is no tenable legal case to answer). The application will be heard in October 2016.

Kermadec/Rangitāhua Ocean Sanctuary

Te Ohu Kaimoana Trustee Limited (TOKM) and the New Zealand Fishing Industry Association (NZFIA) have applied to the High Court challenging the

proposed Kermadec/Rangitāhua Ocean Sanctuary. The Crown obtained a stay of the TOKM proceeding while the Bill is before Parliament.

Marine and Coastal Area (Takutai Moana) Act 2011

The first High Court application to proceed under the Marine and Coastal Area (Takutai Moana) Act 2011 has been heard. The applicant sought recognition orders for customary marine title over an area near Rakiura/Stewart Island. The High Court reserved its decision.

Crown Law has continued to help the Office of Treaty Settlements to assess engagement applications for recognition of customary marine title and protected customary rights, in particular applications by Ngāti Pahāwera and Ngāti Porou ki Hauraki.

Waitangi Tribunal—district inquiries into historical claims

Three district inquiries are progressing: Te Papanahi o Te Raki (Northland), Rangitīkei ki Rangipō, and Porirua ki Manawātū. In October 2015 the Tribunal released its *Whanganui Land Report* (Wai 903) and in December 2015 the Tribunal released the sixth and final part of its report on claims in its Te Urewera district inquiry (Wai 894).

Waitangi Tribunal—urgent inquiries into contemporary claims

Crown Law has responded to 18 applications for urgent inquiries. These claims have concerned proposed Treaty settlements and other contemporary issues, such as reducing reoffending by Māori. Of the urgency applications made, the Tribunal has declined four and granted five. Nine are still to be decided.

The Tribunal issued a report on the Crown's recognition of Tūhoronuku Independent Mandated Authority's (TIMA) mandate to negotiate a Treaty settlement on behalf of Ngāpuhi (Wai 2490). While the Tribunal found the Crown failed to ensure the structure of TIMA sufficiently protects hapū rangatiratanga, it noted the Crown's involvement in the mandating process was typified by regular, genuine and high-level engagement over many years, engaging in good faith and making genuine efforts to accommodate differences. The Tribunal recommended that negotiations are paused to allow for hapū to decide whether they wish TIMA to represent them, and for the inclusion of effective withdrawal provisions.

In March 2016 the Tribunal held an urgent inquiry (Wai 2522) into the Trans-Pacific Partnership Agreement (TPP). The inquiry considered whether the TPP's Treaty of Waitangi exception clause is an effective protection of Māori interests and what engagement is required over steps needed to ratify the TPP, including changes to Government policies that may affect Māori.

The Tribunal made no findings of Treaty breach, although it made a number of suggestions "to assist the Crown and claimants going forward". In relation to the issue of engagement, the Tribunal noted that the Government is still developing its process, in particular, New Zealand's obligations in respect of plant variety rights. The Tribunal adjourned its inquiry in respect of this issue.

The Tribunal panel inquiring into claims in the Rohe Pōtae district inquiry released a priority report on claims that the Crown's policies to protect the endangered Māui's dolphin were inadequate to prevent the dolphin from likely extinction and did not give due regard to the kaitiaki role exercised by claimant communities (Wai 898).

The Tribunal found that while the dolphin has become a taonga to claimants because it is endangered, it was not of such longstanding or particular cultural significance that it must be protected at all costs. The Crown's threat management plan for the dolphin was not unreasonable or lacking in good faith.

The Tribunal held an urgent inquiry into proposed reform of the Te Ture Whenua Māori Act 1993 (Wai 2478). The Tribunal found that Māori support for any reform proposals must be "properly informed, broad-based" to be consistent with Treaty principles. However, the Tribunal accepted the Crown was entitled to start a legislative reform process. The Tribunal also made a number of specific findings and recommendations on the proposed reforms.

The Tribunal has commenced Stage 2 of its inquiry into National Fresh Water and Geothermal Resources (Wai 2358). The first hearing is scheduled for early November 2016. The Tribunal will consider, among other things, the proposals set out in the Crown's consultation document *Next Steps for Fresh Water*.

The Tribunal granted an urgent inquiry into the Crown's recognition of the Ngātiwai Trust Board's mandate to negotiate a Treaty settlement on behalf of Ngātiwai (Wai 2561). The inquiry will focus on the issue of the support and consent of

hapū for the mandate at a hearing in October 2016.

Waitangi Tribunal—kaupapa inquiry programme

The Waitangi Tribunal has started a programme of inquiries into remaining claims on its register that can be grouped by subject matter or kaupapa. These kaupapa inquiries are scheduled to occur

over 10 years to 2025. An inquiry into the claims of Māori military veterans is the first kaupapa inquiry. It began with a series of hearings to receive evidence from veterans. Further substantive hearings will take place in 2017.

Impact 3 ► Reduced legal risks to the Crown

Appropriation

This work links to the appropriation for Legal Advice and Representation.

Our purpose and intentions

Responsibility to provide legal advice and representation

Principal Law Officers are the chief legal advisors to the Government and the chief advocates for the Government in the courts. They are responsible for ensuring that legal process does not prevent the Government from lawfully implementing its chosen policies and discharging its governmental responsibilities.

Crown Law's advice and representation activities

Crown Law supports the Law Officers by providing legal advice and representation *to ensure the Crown's legal risks are managed well and its interests are protected*. We advise and provide representation on services related to the:

- protection of Crown infrastructure;
- protection of Crown's commercial interests;
- regulation of those interests; and
- protection of Crown revenue.

Performance overview

We take a "one Crown" approach to protecting the Crown's legal interests. In looking after the Crown's legal interests, we must look beyond the interests of individual departments, even when a department is the client initiating the work. This approach assures the Attorney-General and Solicitor-General that the Crown's legal risk is being identified early and managed well. See pages 42–45 for how service delivery is reported for legal advice and representation.

One way that we provide leadership and work with other departments is through the Government

Legal Network (GLN). The GLN is a collaboration led by the Principal Law Officers and Chief Legal Advisors. Its purpose is to improve the effective and efficient delivery of legal advice and services to the Crown and facilitate the systemic oversight of Crown legal risk. See pages 8–9 for further information about GLN activities.

Significant and illustrative legal advice and representation matters concluded

Queenstown Airport Corporation Limited v Commissioner of Inland Revenue

A New Zealand airport can only operate as an international airport if it has a compliant Runway End Safety Area. To meet that requirement, Queenstown Airport Corporation (QAC) built an earthfill embankment. A cleared and graded grass-covered surface was prepared on top of the embankment. The embankment was engineered with sufficient strength to take the weight of an aircraft and to stop the aircraft if it overshot or undershot the runway during takeoff or landing. QAC sought to depreciate the cost of construction for tax purposes.

The High Court held that the Commissioner of Inland Revenue had been correct to decline deductions, as the embankment created was permanently affixed to the land and "land" is not depreciable. Neither was it depreciable property in the nature of "airport runways", "road" or "hardstanding" used as part of QAC's business of deriving assessable income that would be expected to decline in value over time.

QAC has appealed to the Court of Appeal.

Commissioner of Inland Revenue v Michael Hill (NZ) Ltd

The Commissioner has determined that Michael Hill (NZ) Ltd (Hill) is liable to pay income tax on the basis that a series of transactions entered into by it is tax avoidance. Hill challenged the Commissioner's consequential assessments for two reasons. First on the basis that her ruling is incorrect in law. Second, her ruling is inconsistent with her earlier assessment that materially similar transactions entered into by another taxpayer are not tax avoidance. Hill claimed the Commissioner breached a duty owed to Hill of consistency of tax treatment of comparable transactions in making her ruling against Hill.

The Commissioner applied to strike out the inconsistency claim. The High Court dismissed this application.

On appeal, the Court of Appeal found for the Commissioner, rejecting the existence of an underlying duty of consistency owed by the Commissioner to a taxpayer when assessing the taxpayer's liability to tax. Liability to tax is imposed by statute, not by the Commissioner. The Commissioner's overriding duty is to determine a taxpayer's liability according to law.

The Court of Appeal stated that the Commissioner could adopt two fundamentally inconsistent approaches when assessing different taxpayers' liability to tax on materially similar transactions if they considered the earlier approach was wrong.

The Court of Appeal decision has not been appealed.

Olliver Trustee Ltd and Anor v Minister for Land Information

These Environment Court proceedings involved objections to the compulsory acquisition of land in Paraparaumu, Wellington, for the new State Highway 1 (SH1) Northern Corridor. Olliver Trustee Ltd and St Heliers Capital Ltd (sole director and shareholder being Gregory Martin Olliver) each owns a parcel of land in Paraparaumu. Those adjoining parcels of land together total about 32.5 hectares. The Minister ultimately decided that parts of that land will be compulsorily acquired for the new SH1. Olliver Trustee Ltd and St Heliers Capital Ltd objected to that acquisition.

In dismissing those objections, the Environment Court applied the law set down by the High Court in *Waitakere City Council v Brunel* [2007] NZRMA 235. The Environment Court emphasised at [124] of its decision that "[t]he trade off between the

factors which we have identified in para [123] (above) and the additional cost which acquiring the more valuable land involves (whatever that might be) is properly a matter for the Minister".

Strathboss Kiwifruit Ltd & Seeka v Attorney-General ("The Kiwifruit Claim")

On 8 July 2015 Justice Dobson approved an application to bring a representative claim against the Attorney-General. The claim alleges the Ministry for Primary Industries negligently allowed a pathogenic bacterium ("Psa-V") into New Zealand, causing loss to kiwifruit growers and post-harvest operators (estimated by the claimants to be more than \$375 million). Justice Dobson also approved the terms of a litigation funding agreement for the claim. Claimants who wished to be represented by the named plaintiffs were ordered to "opt-in" to the proceedings by 9 October 2015. To date, about 200 claimants are represented. Stage 1 of the claim will be heard in the second half of 2017 and will focus on duty of care issues, causation and loss.

Forest and Bird Protection Society Inc. v Minister of Conservation and Hawkes Bay Regional Investment Company

On 19 February 2016 Justice Palmer dismissed Forest and Bird's application for judicial review against the Minister of Conservation. The application concerned a decision of the Minister to revoke part of the Ruahine Forest Park to enable an exchange of land and add land back to the Park.

The High Court held the decision of the Minister was lawful but the matter was finely balanced. Forest and Bird appealed the High Court decision. On 31 August 2016 the Court of Appeal by majority overturned the High Court decision and set aside the Minister's decision. The Court of Appeal found the decision of the Minister to revoke part of the Ruahine Forest Park was unlawful. The Court of Appeal directed the Minister to remake the decision in accordance with the terms of their judgment.

Application for resource consent to dump remains of MV Rena

On 26 February 2016 an independent panel appointed by the Regional Council granted resource consent to the Astrolabe Community Trust to dump (abandon) the remains of the MV *Rena* on Otaiti/Astrolabe Reef. The Crown was a submitter in the consent process, appeared at the hearing and partially opposed the resource

consent. The Crown sought that the Council remove the MV *Rena* wreckage down to 30 metres below low astronomical tide.

The Crown failed to have more of the wreck removed, but did obtain improved consent conditions for dealing with the remaining debris and contamination on the reef.

The consent application was opposed by a number of local iwi and hapū groups, who argued that leaving the wreck in place was damaging for the taonga (Otaiti) and their relationship with Otaiti. Some groups supported the application. A number of iwi and hapū groups have appealed the decision. The Crown has not appealed the decision.

XY & Ors v Attorney-General as representative of the Ministry of Social Development [2016] NZHC 1196

Some 615 applicants (all clients of Cooper Legal) applied for judicial review challenging the Ministry of Social Development's "Two Path Approach" for expediting settlement of a backlog of historic abuse claims. The applicants challenged the substance of the policy (alleging failure to take into account relevant considerations and mistakes of fact) and the process by which it was developed (alleging breach of natural justice and breach of legitimate expectation). The Crown's response was that the policy was non-justiciable and the grounds pleaded by the applicants had no basis on which to impugn (call into question) the Ministry's decision to implement the policy.

The High Court (Justice Gendall) dismissed the application. The Court held that executive-level decisions about the management of legal claims and the resource allocation to resolve those claims fall outside the judicial domain. It further ruled that, because the decisions lacked any statutory or policy underpinning, they were not able to be assessed (including for legality). Despite this finding of non-justiciability, the Court was also satisfied that the grounds pleaded by the applicants had no merit.

The applicants have indicated they will not appeal the decision.

K v Attorney-General

K is a refugee in New Zealand. He is subject to the process for determining whether his refugee status should be cancelled, as he is accused of committing crimes against humanity during the Rwandan genocide. On 23 December 2014 K applied for judicial review in the High Court,

challenging a decision of a refugee and protection officer (RPO) to not give him (K) a permanent undertaking of confidentiality that only the officer and a limited number of people within the Refugee Status Branch would ever see any relevant witness statements. The challenge primarily turned on the application of and correct interpretation of s 151 of the Immigration Act 2009. That section imposes a general confidentiality obligation not to disclose refugee information, but provides for disclosure in certain circumstances.

The High Court delivered its judgment on 30 September 2015 (*K v Attorney-General* [2015] NZHC 2380). The Court held that s 151 applied to cancellation determinations and is to be interpreted in light of the Supreme Court's decision in *Attorney-General v X* [2008] NZSC 48, [2008] 2 NZLR 579. The High Court ultimately found the decision not to give the undertakings sought was lawfully open to the RPO.

An appeal to the Court of Appeal was heard on 30 June 2016 and that Court reserved its judgment.

Singh (Kulbir) v Chief Executive, Ministry of Business, Innovation and Employment

The case concerns an Indian couple who have been unlawfully in New Zealand for more than 11 years. They, and two of their children (also unlawfully in New Zealand), were issued deportation orders in September 2013. Following the humanitarian interview process, an immigration officer declined to cancel the family's deportation orders under s 177 of the Immigration Act 2009. Review proceedings were filed in the High Court in 2014, challenging the decision not to cancel.

Following the High Court judgment declining the review application (*Singh v Chief Executive of the Ministry of Business, Innovation and Employment* [2014] NZHC 1916), the couple lodged an appeal in the Court of Appeal. The Court of Appeal upheld the decision of the immigration officer (*Singh (Kulbir) v Chief Executive, Ministry of Business, Innovation and Employment* [2015] NZCA 592, [2016] NZAR 96, 8 December 2015), finding the scope of judicial review of a decision made under s 177 was severely limited to checking the immigration officer's compliance with the requirements of the section and a *Wednesbury* (so unreasonable no rational person could have decided it) standard. Leave to appeal to the

Supreme Court was also declined (*Singh (Kulbir) v Chief Executive, Ministry of Business, Innovation and Employment* [2016] NZSC 39, 19 April 2016).

Lawson v Chief Executive of the Ministry of Social Development

On 4 April 2016 the High Court heard three appeals from Lawson on the basis of a set of facts specified by a lower court (by way of case stated). Lawson challenged decisions of the Ministry of Social Development about her benefit entitlements.

The High Court dismissed the appeals on 5 May 2016 (*Lawson v Chief Executive of the Ministry of Social Development* [2016] NZHC 910). Notably, however, Justice Dobson recorded some concern about the questions stated by the Social Security Appeal Authority. In particular, this includes requesting that the questions are genuine questions of law, and that they raise some justifiable basis for suggesting an error has been made.

Statement of Service Performance

Our performance management

We understand the need for monitoring what we deliver and how well we deliver it, as this contributes to our understanding of how we can strengthen our value. As a provider of specialised publicly-funded services, and a manager of such services provided by others, we have an ongoing responsibility to ensure public money is being used responsibly to achieve effective and timely results.

Crown Law is accountable to Ministers and Parliament, and is responsible for demonstrating its value for money through the effectiveness of its management and transparency in its performance. The achievement of this kind of value supports the Government's priorities for economic growth, justice sector outcomes and Better Public Services. It is dependent on a range of factors, including:

- Alignment of outputs with strategic priorities.
- Quantity and quality of outputs.

- Outcomes/impacts.
- Efficiencies and effectiveness in the use of resources and processes implemented.
- Assessment and management of risk.
- Protection of public assets.
- Compliance with authorities, legislation and Parliament.
- Planning to meet future demand within forecast baseline funding.

Taking the report as an integrated overview of these factors we are confident Crown Law provides a high level of value for money for New Zealand, in providing the efficient and effective high quality legal advice and services that are expected of Crown Law.

Our service performance for the year ended 30 June 2016 is presented on pages 31-45.

Our Appropriations

Multi-Category Appropriation (MCA) - SUPERVISION AND CONDUCT OF CROWN PROSECUTIONS AND APPEALS

Within the MCA are appropriations for:

- Criminal Law Advice and Services.
- Conduct of Criminal appeals from Crown Prosecutions.
- Oversight and Supervision of Public Prosecutions and the Crown Solicitor Network.
- Provision of a National Crown Prosecution Service.

Audited financial performance (MCA Summary) (GST exclusive)

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
Revenue				
40,363	Crown	40,570 ⁸	38,773	40,570
3	Other	6	-	20
40,366	Total revenue	40,576	38,773	40,590
Expenditure				
39,466	Expenditure	40,479	38,773	40,590
897	Net surplus/(deficit)	97	-	-

⁸ The variance to the main estimates of \$1.797 million is comprised of transferring of \$0.900 million from the Exercise of Principal Law Officer Functions, and the \$0.897 million surplus carried forward from 2014/15.

MCA output: CRIMINAL LAW ADVICE AND SERVICES

Scope – provision of advice on criminal law, mutual assistance and extradition matters to other government agencies and to Crown Solicitors

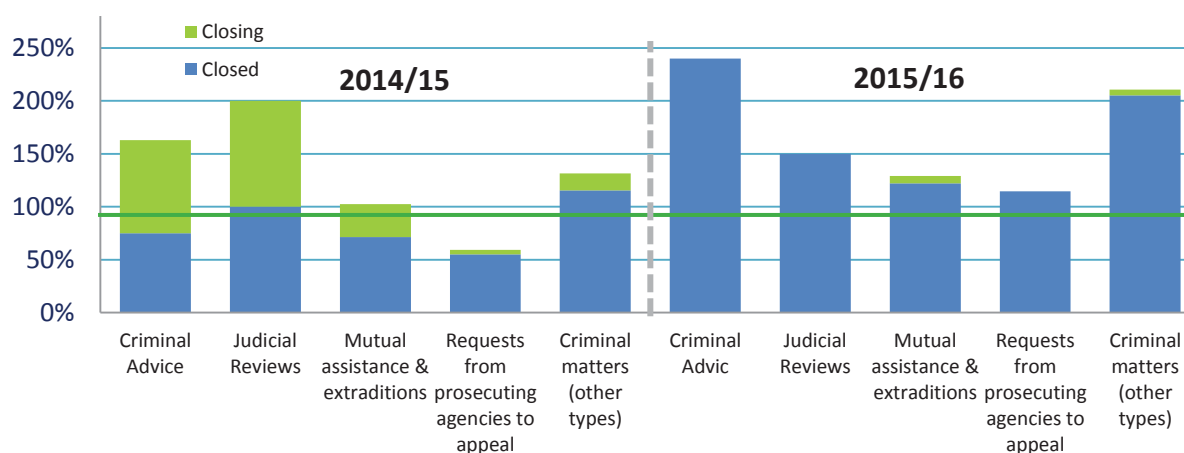
Audited service performance (no change in measures to previous year)

QUANTITY	<ul style="list-style-type: none"> New matters
	<ul style="list-style-type: none"> Clearance rate (ratio of closed/closing to new) <p>Closed files are ready to be archived. Files where legal work has been completed are put into an administrative closing process, before they can be archived.</p>

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
Quantity				
<i>New matters (On page 33 are the average numbers of hours assigned to these kinds of matters)</i>				
Criminal Advice	16	10 - 35	10	<i>From year to year the inflow of new matters may vary significantly. New matters mostly arise from circumstances external to Crown Law, but in which Crown Law must subsequently become involved. In each year, as we prepare Budget documents, we consider whether there are any factors that could help us anticipate the numbers of new matters in the upcoming financial year. Such factors can include policy changes and recent events.</i>
Judicial Reviews	1	2 - 5	2	
Mutual assistance and extraditions	91	50 - 100	86	
Criminal matters (other types)	45	40 - 60	19	
Requests for prosecution appeals	96	25 - 75	111	

Clearance rate (ratio of closed/closing to new)

Ratio of closed/closing files to new files: forecast 0.9 (i.e. ≥90%)



Our aim is to achieve 0.9 (i.e. ≥90%) ratio of closed and closing files to new files. The 2015/16 year represents an internal project to close a backlog of open files identified from a review. The increase was achieved through additional effort and contracted resources.

TIMELINESS	<ul style="list-style-type: none"> • Average total life (hours) of matters closed
	<ul style="list-style-type: none"> • Ministerial services

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
Timeliness				
<i>Average hours worked per disposed case</i>				
Criminal Advice	17	≤ 50	63	<i>Two cases increased the average from 26 to 63 hours</i>
Judicial Reviews	116	≤ 150	24	<i>In the prior year one case increased the average hours</i>
Mutual assistance and extraditions	33	≤ 50	56	<i>Three cases increased the average from 33 to 56 hours</i>
Criminal matters (other types)	22	≤ 50	17	-
Requests for prosecution appeals	22	≤ 50	20	-
<i>Ministerial services – proportion of responses on time</i>				
Ministerial letters	100%	95%	100%	-
Parliamentary Questions	100%	95%	100%	-
Official Information Act 1982 and Privacy Act 1993 requests	100%	100%	100%	-

Audited financial performance (GST exclusive)

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
Revenue				
2,388	Crown	2,388 ⁹	1,488	2,388
-	Other	6	-	20
2,388	Total revenue	2,394	1,488	2,408
Expenditure				
2,952	Expenditure	2,939	1,488	2,408
(564)	Net surplus/(deficit)	(545)	-	-

⁹ The variance to the main estimates is due to a transfer of \$0.900 million from The Exercise of Principal Law Officer Functions.

MCA output: CONDUCT OF CRIMINAL APPEALS FROM CROWN PROSECUTIONS

Scope – conducting appeals arising from Crown prosecutions

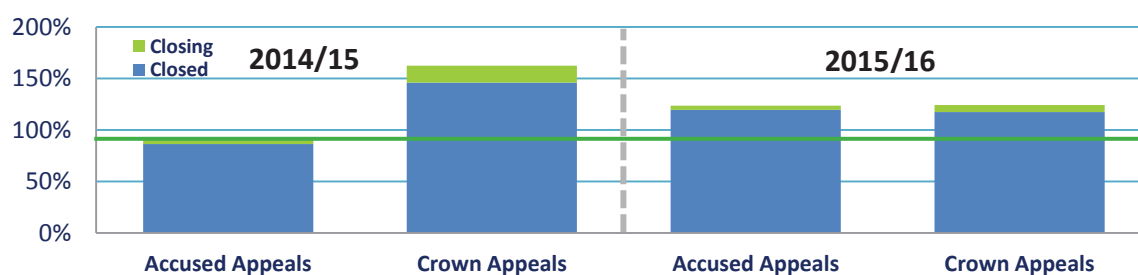
Audited service performance (no change in measures to previous year)

QUANTITY	<ul style="list-style-type: none"> • New matters
	<ul style="list-style-type: none"> • Clearance rate (ratio of closed/closing to new)

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
<i>New matters (See below on this page for the average numbers of hours assigned to these kinds of matters)</i>				
Crown appeals	24	10 - 30	29	<i>From year to year the inflow of new matters may vary significantly. Inflow also depends on the likelihood of appeals by the accused.</i>
Accused appeals	620	550 - 600	584	

Clearance rate (ratio of closed/closing to new)

Ratio of closed/closing files to new files: forecast 0.9 (i.e. ≥90%)



Our aim is to achieve 0.9 (i.e. ≥ 90%) ratio of closed and closing files to new files. The 2015/16 year represents an internal project to close a backlog of open files identified from a review. The increase was achieved through additional effort and contracted resources.

TIMELINESS	<ul style="list-style-type: none"> • Average total life (hours) of matters closed
-------------------	---

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
<i>Average hours worked per disposed case</i>				
Crown appeals	71	≤ 90	63	-
Accused appeals	32	≤ 90	28	-

EFFECTIVENESS	<ul style="list-style-type: none"> • appeals allowed in full and in part
----------------------	--

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
<i>Effectiveness – appeals allowed in full and in part</i>				
Percentage of appeals, brought by the Crown, concluded in favour of the Crown	64%	60% ¹⁰	88%	88% = 6 allowed + 1 granted; Other 12% = 1 dismissed.
Percentage of appeals, brought by the accused/defendant, concluded in favour of the accused/defendant	28%	30%	25%	Of appeals brought by the accused /defendant: 364 dismissed; 16 refused; 1 abandoned in part; 101 allowed; 23 allowed in part; and 4 granted. ¹¹

Note: where leave is required ‘granted’ and ‘refused’ is typically used. For substantive appeals ‘allowed’ and ‘dismissed’ is used.

Audited financial performance (GST exclusive)

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
Revenue				
3,285	Crown	3,285	3,285	3,285
3	Other	-	-	-
3,288	Total revenue	3,285	3,285	3,285
Expenditure				
2,993	Expenditure	2,933	3,285	3,285
295	Net surplus/(deficit)	352	-	-

¹⁰ Crown Law’s forecast success rate (60%) balances the tension between the taking of an appeal because the decision is considered to be wrong and the need to take an appeal to clarify a point of law in the public interest.

¹¹ As per the footnote above; 94 were abandoned by the accused / defendant in 2015/16.

MCA output: OVERSIGHT AND SUPERVISION OF PUBLIC PROSECUTIONS AND THE CROWN SOLICITOR NETWORK

Scope - oversight of public prosecutions and supervision of the network of Crown Solicitors who deliver prosecution services

Audited service performance (no change in measures to previous year)

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
Quantity				
Quality reviews				
Number of quality assurance reviews	5	5	7	Full network is reviewed on rotation every 3 years.
Quality				
Outcomes of quality reviews				
Reviews: quality assessed as exceeding or meeting expected standards	5	5	7	The five reviews consist of four survey-based reviews and an interview-based review. Full network is reviewed on rotation every 3 years.
Improvement recommendations implemented within timeframes set	>90%	>90%	0	No improvements were required during this period.
Complaints under the Victims' Rights Act 2002 ¹²	First year reported 2015/16	0	7	Four complaints were made to Crown Solicitors and one directly to Crown Law's Public Prosecutions Unit. These victims raised a total of seven specific complaints concerning alleged breaches of their rights under the Act ¹²

¹² Types of complaints:

The complaints were of the following types:

- Three complaints - Delays in, or failures to, inform victims of reasons for not filing or withdrawing charges (VRA s12(1)(b));
- Two complaints - Failure to provide information about the victim's role as a witness in a prosecution (VRA s 12(1)(c));
- One complaint - Failure to be told of Court dates (VRA s12(1)(d)); and
- One complaint - Lack of sufficient communication with the victim with respect to the Victim Impact Statement (VRA ss17-21).

Disposition of complaints:

Two of above seven complaints were not upheld. Both were with respect to insufficient communication by the prosecutor with the victim. Apologies were offered to the victims by the Deputy Solicitor-General (in one case) and by a Crown Solicitor (the other). A third complaint was not upheld, however a meeting was organised by the Crown Solicitor with a victim assistance organisation to discuss improving processes in the future. The remaining four complaints have not been upheld. All complainants have been notified by Crown Law or the Crown Solicitors.

Audited financial performance (GST exclusive)

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
Revenue				
840	Crown	840	840	840
Expenditure				
753	Expenditure	753	840	840
87	Net surplus/(deficit)	87	-	-

MCA output: PROVISION OF A NATIONAL CROWN PROSECUTION SERVICE

Scope – provision of a national Crown prosecution service that undertakes prosecutions and appeals on behalf of the Solicitor-General

Audited service performance (no change in measures to previous year)

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
Quantity				
<i>New matters</i>				
New Crown Prosecutions including appeals to the High Court from non-Crown prosecutions	5,050	4,570 – 5,840	5,849	-
Crown Prosecutions disposed of, including appeals to the High Court from non-Crown prosecutions	4,103	1,860 – 3,780	4,703	<i>The 2015/16 forecast was based on data collected through the relatively new reporting framework. A significant level of under reporting by the Auckland warrant was identified in relation to the 2014/15 period. This under reporting has now been rectified.</i>
Hours of service provided	177,881	128,880 – 190,870	195,707	<i>See above.</i>

Audited financial performance (GST exclusive)

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
Revenue				
33,850	Crown	34,057 ¹³	33,160	34,057
Expenditure				
32,768	Expenditure	33,854	33,160	34,057
1,082	Net surplus/(deficit)	203	-	-

¹³ The variance from the main estimates of \$0.897 million is due to the \$0.897 million surplus carried forward from 2014/15.

Output expense: THE EXERCISE OF PRINCIPAL LAW OFFICER FUNCTIONS

Scope - This appropriation is limited to providing legal advice, representation services and administrative services to the Attorney-General and Solicitor-General to assist them in the exercise of their Principal Law Officer functions, and the provision of legal and constitutional advice to the Government, Ministers, and the Judiciary.

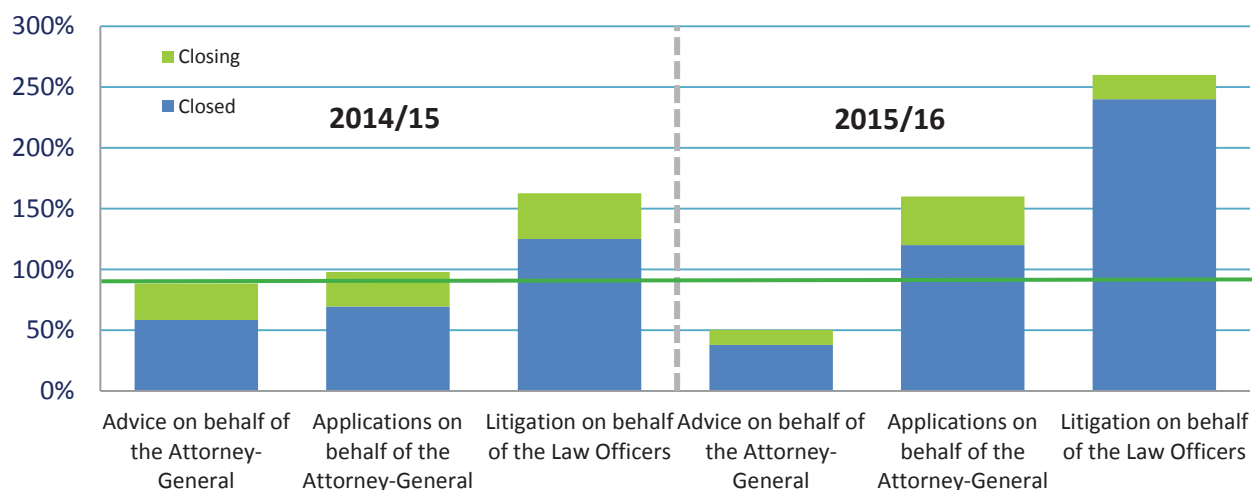
Audited service performance (no change in measures to previous year)

QUANTITY	• New matters
	• Clearance rate (ratio of closed/closing to new)

Performance measure	Actual 2014/15	Forecast 2015/16	Actual YTD 2015/16	Comment
<i>New matters (On page 39 are the average numbers of hours assigned to these kinds of matters)</i>				
Advice on behalf of the Attorney-General	137	100 – 125	179	<i>From year to year the inflow of new matters may vary significantly. New matters mostly arise from circumstances external to Crown Law, but in which Crown Law must subsequently become involved.</i>
Applications ¹⁴ processed on behalf of the Attorney-General	46	30 – 60	35	
Litigation on behalf of the Law Officers ¹⁵	8	5 – 10	5	

Clearance rate (ratio of closed/closing to new)

Ratio of closed/closing files to new files: forecast 0.9 (i.e. ≥90%)



Our aim is to achieve 0.9 (i.e. ≥ 90%) ratio of closed and closing files to new files. The 2015/16 year represents an internal project to close a backlog of open files identified from a review. The increase was achieved through additional effort and contracted resources.

¹⁴ These include applications for second coronial inquiries, special patient reclassification, discharge of adoption orders, trust variations, interventions in respect of alleged contempt and breach of name suppression.

¹⁵ Updated to reflect Litigation can be on behalf of the Attorney-General and/or the Solicitor-General.

TIMELINESS	<ul style="list-style-type: none"> • Average total life (hours) of matters closed
	<ul style="list-style-type: none"> • Ministerial services

Performance measure	Actual 2014/15	Forecast 2015/16	Actual YTD 2015/16	Comment
<i>Average hours worked per disposed case</i>				
Advice on behalf of the Attorney-General	25	≤ 50	61	Three cases increased the average from 31 to 61 hours
Applications processed on behalf of the Attorney-General	48	≤ 50	82	Two vexatious litigant cases increased the average from 50 to 82 hours
Litigation on behalf of the Law Officers	62	≤ 75	80	One case increased the average from 48 to 80 hours
<i>Ministerial services – proportion of responses on time</i>				
Ministerial letters	100%	95%	100%	-
Parliamentary Questions	100%	95%	100%	-
Official Information Act 1982 and Privacy Act 1993 requests	93%	100%	99%	-

QUALITY	<ul style="list-style-type: none"> • Attorney-General's feedback
Additional information: Role of the Attorney-General	
<p>The current Attorney-General is the Honourable Christopher Finlayson QC. The Attorney-General is the senior Law Officer and has constitutional responsibility for the Government's administration of the law. This function is exercised in conjunction with the Solicitor-General, the junior Law Officer.</p> <p>The Attorney-General has an obligation to act on some matters independently, free of political considerations. The Solicitor-General, as the non-political Law Officer, has traditionally assumed responsibility for the exercise of those functions that should be undertaken independently of the political process, most notably the prosecution functions.</p>	

Performance measure	Actual 2014/15	Forecast 2015/16	Actual YTD 2015/16	Comment
<i>Responses to annual questionnaire</i>				
Responses (ratings) good to excellent	100%	>90%	100%	The Attorney-General provides responses to a questionnaire about the services provided by Crown Law to the Attorney-General, the Government and government departments.

Audited financial performance (GST exclusive)

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
Revenue				
1,974	Crown	1,889 ¹⁶	2,874	1,889
43	Other	362	454	468
2,017	Total revenue	2,251	3,328	2,357
Expenditure				
1,892	Expenditure	2,160	3,328	2,357
125	Net surplus/(deficit)	91	-	-

ADDITIONAL measures reflecting the 2015 Statement of Intent

Indicators	Baseline	Previous Actual	Actual 2015/16	Comment
Outcomes – RULE OF LAW AND GOVERNANCE				
Focus: Increased trust in the justice system, through the performance of the Principal Law Officers' constitutional and other duties				
World Justice Project Rule of Law Index: New Zealand's criminal justice system:				
• is free of corruption	2012 score 0.94	2015 score 0.93	2016 score N/A	The World Justice Project Rule of Law Index provides an overview of the rule of law in a country. The index uses ratings organised around eight factors. The effectiveness of the criminal justice system is one of the factors. Within the factors are sub-components, three of which are reported here. The Index is based on household and expert surveys. These results reflect the rule of law as experienced by New Zealanders. The 2016 World Justice Project Rule of Law Index report will be due for release late 2016.
• is free of improper government influence	2012 score 0.91	2015 score 0.87	2016 score N/A	
• has due process of law and rights of the accused	2012 score 0.84	2015 score 0.82	2016 score N/A	

¹⁶ The variance to the main estimates of \$0.985 million is comprised of transferring of \$0.900 million to the MCA - Criminal Law and Advice Services, and \$85,000 share of costs for Budget 2015 whole-of-Government initiatives.

Focus: Reduced legal risks to the Crown, through protecting the Crown’s interests and ensuring any risks are managed well

Bertelsmann Foundation Sustainable Governance Indicators Status Index: New Zealand’s effectiveness in:

<ul style="list-style-type: none"> • corruption prevention 	2009 score 10/10	2015 score 10/10	2016 score 10/10	<p><i>The sustainable governance indicators (SGI) 2016 report looks at 41 OECD and EU states. The focus on democracy relates to institutional and organisational democracy and participation in the political and justice systems. Within the broader theme of democracy is the focus on the rule of law. The SGI report’s key indicators for rule of law are shown in this table.</i></p> <p><i>New Zealand was rated amongst the top (10/10) for three of the indicators. For appointment of Justices the SGI report reflected on the opportunity to strengthen transparency in the appointment of Justices (noting here that no issues were otherwise raised).</i></p>
<ul style="list-style-type: none"> • legal certainty 	2009 score 10/10	2015 score 10/10	2016 score 10/10	
<ul style="list-style-type: none"> • judicial review 	2009 score 10/10	2015 score 10/10	2016 score 10/10	
<ul style="list-style-type: none"> • appointment of Justices 	2009 score 8/10	2015 score 8/10	2016 score 8/10	

Outcomes – JUSTICE SECTOR

The Ministry of Justice reports performance and progress with regard to the relevant Better Public Services targets and justice sector indicators. Such outcome measures can include the results of international indexes such as those reported above.

Output expense: LEGAL ADVICE AND REPRESENTATION

Scope - This appropriation is limited to providing legal advice and representation services to central government departments and Crown agencies.

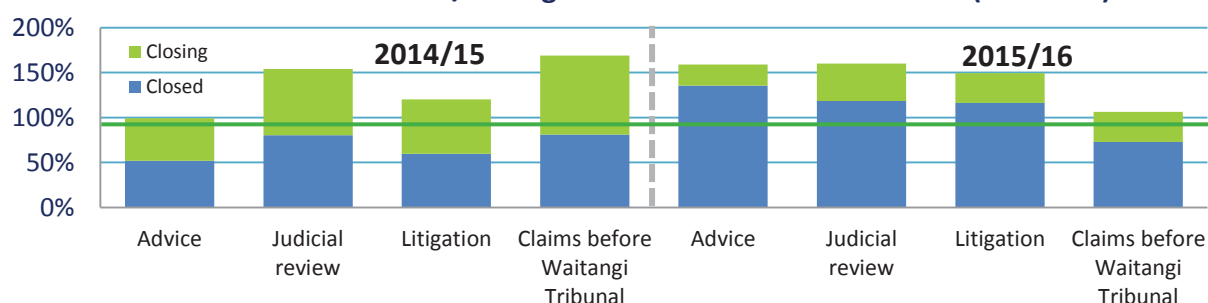
Audited service performance (no change in measures to previous year)

QUANTITY	<ul style="list-style-type: none"> • New matters
	<ul style="list-style-type: none"> • Clearance rate (ratio of closed/closing to new)

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
<i>New matters (On page 32 are the average numbers of hours assigned to these kinds of matters)</i>				
Advice	415	350 – 425	357	<i>From year to year the inflow of new matters may vary slightly or significantly. New matters mostly arise from circumstances external to Crown Law, but in which Crown Law must subsequently become involved.</i>
Judicial review	102	75 – 125	108	
Litigation	354	300 – 375	346	
Claims before Waitangi Tribunal	42	25 – 50	48	

Clearance rate (ratio of closed/closing to new)

Ratio of closed/closing files to new files: forecast 0.9 (i.e. ≥90%)



Our aim to achieve 0.9 (i.e. ≥ 90%) ratio of closed and closing files to new files. The 2015/16 year represents an internal project to close a backlog of open files identified from a review. The increase was achieved through additional effort and contracted resources.

TIMELINESS	<ul style="list-style-type: none"> • Average total life (hours) of matters closed
	<ul style="list-style-type: none"> • Client feedback
	<ul style="list-style-type: none"> • Service performance

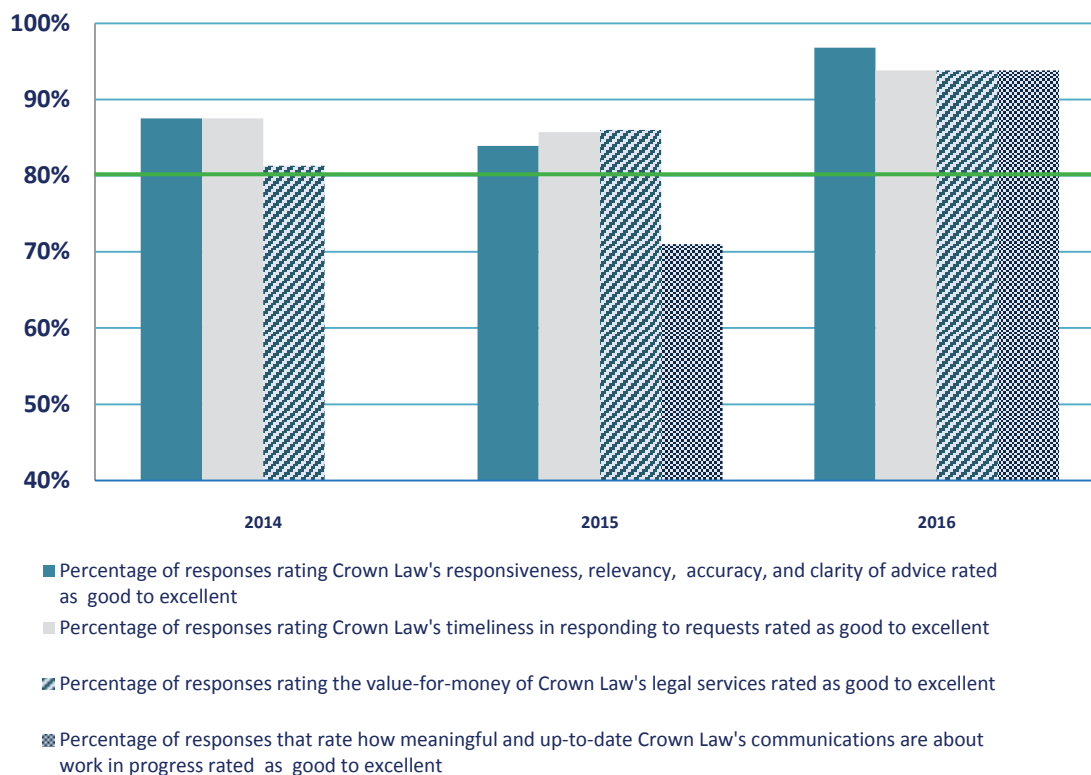
Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
<i>Average hours worked per disposed case</i>				
Advice	43	≤ 50	32	-

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
Judicial review	104	≤ 100	148	Three cases increased the average from 113 to 148 hours
Litigation	171	≤ 200	197	Seven cases increased the average from 133 to 197 hours
Claims before Waitangi Tribunal	661	≤ 500	945	One case increased the average from 747 to 945 hours
<i>Client perceptions and service performance (%)</i>				
Responses to the client survey that consider timeliness in responding to requests is <i>good</i> to <i>excellent</i>	86%	80%	94%	-
Written opinions/advice (final or draft) completed by the due date	71%	80%	79%	-
Litigation Management Plans completed by the due date	73%	80%	65%	Improving the achievement of this target is on the Professional Standards Committee FY16/17 work program.

QUALITY	<ul style="list-style-type: none"> Peer reviews and consultation
	<ul style="list-style-type: none"> Client feedback

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
Written opinions and advice that are peer reviewed	94%	80%	96%	The recording and reporting process was reviewed in 2015/16 and improvements implemented.
Responses to the client survey that consider the advice and service received overall is <i>good</i> to <i>excellent</i>	86%	80%	100%	Refer to the 'service indicators charted over time' note and graph on page 44.
Responses to the client survey that consider the responsiveness, relevancy, accuracy, and clarity of advice are <i>good</i> to <i>excellent</i>	84%	80%	97%	
Percentage of responses to the client survey that consider the service received represents value for money is <i>good</i> to <i>excellent</i>	86%	80%	94%	

Client survey - quality service indicators



Service indicators charted over time

Respondents to our survey are usually Chief and Senior Legal Advisors of government departments we worked with during the period of time to which the survey applies (this survey is July 2015 to June 2016).

The survey consists of approximately 12-14 questions. Each question asks for a rating (excellent; very good; good; did not meet expectations; poor; unable to rate yet). The rating system has been modified in 2016 with an additional category of “very good”, replacing “satisfactory” with “did not meet expectations” and removing the “very poor” category.

The benchmark is 80% of responses being good to excellent.

VALUE FOR MONEY	<ul style="list-style-type: none"> Cost per hour (average)
------------------------	--

Performance measure	Actual 2014/15	Forecast 2015/16	Actual 2015/16	Comment
Cost per hour of client services (i.e. the average cost per hour of providing legal advice and representation services)	\$161 ¹⁷	≤ FY14/15 cost per hour	\$168	<i>The aim is to keep the rate the same or as close to 2014/15. 2015/16 represents a market parity adjustment in remuneration. With the revision, rates are still below the average all-of-government legal services rates.</i>

¹⁷ The 2014/15 cost has been recalculated from \$154 to \$161 to be consistent with the current years cost of services calculation

Audited financial performance (GST exclusive)

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
Revenue				
14,998	Other	17,609	22,365	22,365
Expenditure				
15,346	Expenditure	18,235	22,365	22,365
(348)	Net surplus/(deficit)	(626)	-	-

The appropriation is made up of two memorandum accounts, the Legal Advice and Representation (LAR) and the Government Legal Network (GLN). The net deficit of \$0.626 million for the appropriation is comprised of a net surplus of \$0.247 million for the LAR memorandum account and a net deficit of \$0.873 million for the GLN memorandum account. Please refer to Note 18 (page 70) for more detailed information about these two memorandum accounts.

Other non-financial measures: PEOPLE AND CAPABILITY

Indicators	Baseline benchmark	Previous Actual	Actual 2015/16	Comment
Organisation – PEOPLE AND CAPABILITY				
Staff engagement (Level of Agreement method)	2011/12 71%	2014/15 70%	2015/16 next Sep 16	<i>The survey is held on an 18-month cycle. The justice sector engagement index (Level of Agreement method) is 68%.</i>
Average hours per employee spent on training and education	2013/14: 40.36 hrs per legal employee	2014/15: 54.99 hrs per legal employee	2015/16: 57.76 hrs per legal employee	-

CROWN LAW OFFICE – CAPITAL EXPENDITURE APPROPRIATION

This appropriation is intended to achieve the renewal and replacement of life-expired assets in support of the delivery of the Crown Law's services.

Output performance measures and standards

The expenditure was in accordance with Crown Law's capital asset management intentions in order to maintain service levels.

Output statement for the year ended 30 June 2016

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supplementary Estimates 2016 \$000
95	Total capital expenditure	276	685	499

Statement of Responsibility

Pursuant to section 45 and section 45C of the Public Finance Act 1989, I am responsible, as the Chief Executive of Crown Law, for the preparation of the Financial Statements and the judgements expressed in them.

I have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial reporting.

In my opinion, the Financial Statements in this report fairly reflect the financial position of Crown Law as at 30 June 2016 and its operations for the year ended on that date.

In my opinion, the forecast financial statements in this report fairly reflect the forecast financial position of Crown Law as at 30 June 2017 and its operations for the year ending on that date.

I am also responsible, as the Chief Executive of Crown Law, for ensuring that end-of-year performance information on each appropriation administered by Crown Law is provided in accordance with sections 19A to 19C of the Public Finance Act 1989.

In my opinion, end-of-year performance information provided by Crown Law fairly reflects the operations, progress and organisational health of Crown Law.



Una Jagose QC
Solicitor-General and Chief Executive

30 September 2016



Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of the Crown Law Office's Annual Report for the year ended 30 June 2016

The Auditor-General is the auditor of the Crown Law Office (the Department). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit on her behalf of:

- the financial statements of the Department on pages 50 to 72, that comprise the statement of financial position, statement of commitments, statement of contingent liabilities and contingent assets as at 30 June 2016, the statement of comprehensive revenue and expense, statement of changes in equity, and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information;
- the performance information prepared by the Department for the year ended 30 June 2016 on pages 10 to 15 and 20 to 45;
- the statements of expenses and capital expenditure of the Department for the year ended 30 June 2016 on pages 74 and 75; and
- the schedule of non-departmental activities which are managed by the Department on behalf of the Crown on page 73, that comprises the schedule of trust monies for the year ended 30 June 2016.

Opinion

In our opinion:

- the financial statements of the Department:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2016; and
 - its financial performance and cash flows for the year ended on that date;
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards.
- the performance information of the Department:
 - presents fairly, in all material respects, for the year ended 30 June 2016:
 - what has been achieved with the appropriation; and

- the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure;
 - complies with generally accepted accounting practice in New Zealand.
- the statements of expenses and capital expenditure of the Department are presented fairly, in all material respects, in accordance with the requirements of section 45A of the Public Finance Act 1989.
- the schedule of trust monies, which are managed by the Department on behalf of the Crown is presented fairly, in all material respects, in accordance with the Treasury Instructions.

Our audit was completed on 30 September 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Solicitor-General and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the information we audited. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department's preparation of the information we audited 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 Department's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Solicitor-General;
- the appropriateness of the reported performance information within the Department's framework for reporting performance;
- the adequacy of the disclosures in the information we audited; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited. Also, we did not evaluate the security and controls over the electronic publication of the information we audited.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Solicitor-General

The Solicitor-General is responsible for preparing:

- financial statements that present fairly the Department's financial position, financial performance, and its cash flows, and that comply with generally accepted accounting practice in New Zealand.
- performance information that presents fairly what has been achieved with each appropriation, the expenditure incurred as compared with expenditure expected to be incurred, and that complies with generally accepted accounting practice in New Zealand.
- statements of expenses and capital expenditure of the Department, that are presented fairly, in accordance with the requirements of the Public Finance Act 1989.
- schedules of non-departmental activities, in accordance with the Treasury Instructions, that present fairly those activities managed by the Department on behalf of the Crown.

The Solicitor-General's responsibilities arise from the Public Finance Act 1989.

The Solicitor-General is responsible for such internal control as is determined is necessary to ensure that the Annual Report is free from material misstatement, whether due to fraud or error. The Solicitor-General is also responsible for the publication of the Annual Report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and reporting that opinion to you based on our audit. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the Department.



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Financial statements

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2016

Actual 2015 \$000		Notes	Actual 2016 \$000	Unaudited Budget 2016 \$000	Unaudited Forecast 2017 \$000
Revenue					
42,337	Crown		42,459	41,647	47,369
15,044	Other revenue	2	17,977	15,954	17,747
57,381	Total income		60,436	57,601	65,116
Expenses					
16,592	Personnel costs	3	18,456	18,287	18,030
767	Depreciation and amortisation expense	4	740	919	987
165	Capital charge	5	165	165	165
32,768	Crown Solicitors' fees		33,854	33,160	38,082
6,412	Other expenses	6	7,659	5,070	7,852
56,704	Total expenses		60,874	57,601	65,116
677	Net operating surplus/(deficit)		(438)	-	-
677	Total comprehensive revenue and expense		(438)	-	-

Explanations for major variances against budget are provided in Note 20.

The accompanying notes form part of these financial statements.

Statement of Financial Position

As at 30 June 2016

Actual 2015 \$000		Notes	Actual 2016 \$000	Unaudited Budget 2016 \$000	Unaudited Forecast 2017 \$000
Current assets					
5,313	Cash and cash equivalents		5,589	3,955	3,856
561	Prepayments		384	350	350
3,062	Debtors and other receivables	7	3,495	3,000	3,000
-	- Debtor Crown		-	-	-
8,936	Total current assets		9,468	7,305	7,206
Non-current assets					
2,407	Property, plant and equipment	8	1,948	2,444	1,925
40	Intangible assets	9	35	301	260
2,447	Total non-current assets		1,983	2,745	2,185
11,383	Total assets		11,451	10,050	9,391
Current liabilities					
5,397	Payables and deferred revenue	10	6,663	5,151	5,151
1,041	Employee entitlements	11	1,282	1,500	1,160
1,011	Return of operating surplus	12	182	-	-
7,449	Total current liabilities		8,127	6,651	6,311
Non-current liabilities					
174	Employee entitlements	11	184	200	200
174	Total non-current liabilities		184	200	200
7,623	Total liabilities		8,311	6,851	6,511
3,760	Net assets		3,140	3,199	2,880
Equity					
2,062	Taxpayers' funds	13	2,062	2,063	2,062
1,698	Memorandum accounts	18	1,078	1,136	818
-	- Revaluation reserve	13	-	-	-
3,760	Total equity	13	3,140	3,199	2,880

Explanations for major variances against budget are provided in Note 20.

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2016

Actual 2015 \$000		Notes	Actual 2016 \$000	Unaudited Budget 2016 \$000	Unaudited Forecast 2017 \$000
4,094	Balance at 1 July		3,760	3,199	2,880
677	Total comprehensive revenue and expense		(438)	-	-
(1,011)	Return of operating surplus to the Crown	12	(182)	-	-
(334)	Movements for the year		(620)	-	-
3,760	Balance at 30 June	13	3,140	3,199	2,880

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2016

Actual 2015 \$000	Notes	Actual 2016 \$000	Unaudited Budget 2016 \$000	Unaudited Forecast 2017 \$000
Cash flows from operating activities				
Cash was provided from:				
42,353	Receipts from Revenue Crown	41,562	41,647	47,369
14,860	Receipts from other revenue	17,544	15,954	17,747
57,213		59,106	57,601	65,116
Cash was applied to:				
17,062	Payments to employees	18,205	18,287	18,970
39,953	Payments to suppliers	40,046	38,230	44,934
(186)	Goods and services tax (net)	24	-	-
165	Payment for capital charge	165	165	165
56,994		58,440	56,682	64,069
219	Net cash flow from operating activities	666	919	1,047
Cash flows from investing activities				
Cash was disbursed for:				
71	Purchase of property, plant and equipment	263	545	748
24	Purchase of intangible assets	13	140	240
95		276	685	988
(95)	Net cash flow from investing activities	(276)	(685)	(988)
Cash flows from financing activities				
Cash was disbursed for:				
139	Repayment of operating surplus	114	-	-
(139)	Net cash flow from financing activities	(114)	-	-
(15)	Net (decrease)/increase in cash	276	234	59
5,328	Cash at the beginning of the year	5,313	3,721	3,797
5,313	Cash at the end of the year	5,589	3,955	3,856

Explanations for major variances against budget are provided in Note 20.

The accompanying notes form part of these financial statements.

Statement of Commitments

As at 30 June 2016

Non-cancellable operating lease commitments

Crown Law's office lease at 19 Aitken Street, Wellington, is a sub-lease from the Ministry of Justice. The lease started from 1 July 2013, and the minimum term of the lease is for a period of six and a half years expiring on 31 December 2019.

Crown Law also leases an office with the Serious Fraud Office (SFO) in Auckland. The lease term is from 9 November 2015 to 3 March 2023. The SFO may terminate the lease on giving Crown Law 12 months' prior written notice provided that no such notice can be given before 30 October 2018 and therefore cannot take effect before 1 November 2019. However, Crown Law may terminate the lease at any time by giving not less than 12 months' prior written notice to the SFO. Crown Law may be required to contribute up to \$15,000 should the SFO be required by the landlord to make good the premises at the time of termination of the lease as Crown Law is co-locating with the SFO. Should the lease be terminated by Crown Law before 3 March 2021, Crown law will not be responsible for any make good provision.

There are no restrictions placed on Crown Law by any of its leasing arrangements.

The amounts disclosed below as future commitments are based on the current rental rates.

Actual 2015 \$000	Actual 2016 \$000
Capital commitments	
- There were no capital commitments as at 30 June	-
Operating leases as lessee (Inter-Entity)	
The future aggregate minimum lease payments to be paid under non-cancellable operating lease are as follows:	
1,051 Not later than one year	1,172
3,678 Later than one year and not later than five years	3,010
- Later than five years	93
4,729 Total non-cancellable operating lease commitments (Inter-Entity)	4,275
4,729 Total commitments	4,275

The accompanying notes form part of these financial statements.

Statement of Contingent Liabilities and Contingent Assets

As at 30 June 2016

Unquantifiable contingent liabilities

Crown Law has no unquantifiable contingent liabilities (2015: Nil).

Quantifiable contingent liabilities

Crown Law has no quantifiable contingent liabilities (2015: Nil).

Contingent assets

Crown Law has no contingent assets (2015: Nil).

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 June 2016

Note 1: Statement of accounting policies

Reporting entity

Crown Law is a government department as defined by section 2 of the Public Finance Act 1989 (PFA) and is domiciled and operates in New Zealand. The relevant legislation governing Crown Law's operations includes the PFA. Crown Law's ultimate parent is the New Zealand Crown.

In addition, Crown Law has reported on Crown activities and trust monies that it administers.

The primary objective of Crown Law is to provide services to the Government of New Zealand. Crown Law does not operate to make a financial return.

Crown Law has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements of Crown Law are for the year ended 30 June 2016 and were approved for issue by the Chief Executive of Crown Law on 30 September 2016.

Basis of preparation

The financial statements of Crown Law have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of Crown Law have been prepared in accordance with the requirements of the PFA, which include the requirement to comply with New Zealand generally accepted accounting practices (NZ GAAP) and Treasury instructions.

These financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Accounting Standards and interpretations issued and not yet effective and not early adopted

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. Crown Law will apply these amendments in preparing its 30 June 2017 financial statements. Crown Law expects there will be no effect in applying these amendments.

Note 1: Statement of accounting policies (continued)

Summary of Significant accounting policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Revenue Crown

Revenue from the Crown is measured based on Crown Law's funding entitlement for the reporting period. The funding entitlement is established by Parliament when it passes the Appropriation Acts for the financial year. The amount of revenue recognised takes into account any amendments to appropriations approved in the Appropriation (Supplementary Estimates) Act for the year and certain other unconditional funding adjustments formally approved prior to balance date.

There are no conditions attached to the funding from the Crown. However, Crown Law can incur expenses only within the scope and limits of its appropriations.

The fair value of Revenue Crown has been determined to be equivalent to the funding entitlement.

Revenue department and other revenue

Crown Law derives revenue through the provision of legal services to third parties, mainly government agencies. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Capital charge

The capital charge is recognised as an expense in the financial year to which the charge relates.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

The amounts disclosed in the Statement of Commitments as future commitments are based on the current rental rates.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Receivables

Short-term receivables are recorded at their face value, less any provision for impairment.

A receivable is considered impaired when there is evidence that Crown Law will not be able to collect the amount due. The amount of the impairment is the difference between the carrying amounts of the receivable and the present value of the amounts expected to be collected.

Work in progress

Work in progress is determined as unbilled time and disbursements that can be recovered from clients, and is measured at the lower of cost or net realisable value. Work in progress is generally invoiced in the following month.

Note 1: Statement of accounting policies (continued)

Property, plant and equipment

Property, plant and equipment consist of the following asset classes: leasehold improvements, computer hardware, furniture and fittings, office equipment.

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses.

Individual assets, or group of assets, are capitalised if their cost is greater than \$1,000. The value of an individual asset that is less than \$1,000 and is part of a group of similar assets is capitalised.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to Crown Law and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired through a non-exchange transaction, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income. When a revalued asset is sold, the amount included in the property, plant and equipment revaluation reserve in respect of the disposed asset is transferred to taxpayers' funds.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Crown Law and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Leasehold improvements	up to 6.5 years	up to 15.4%
Computer hardware	2 to 5 years	20% - 50%
Furniture and fittings	5 years	20%
Office equipment	5 years	20%

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is the shorter.

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Impairment of property, plant and equipment and intangible assets

Crown Law does not hold any cash-generating assets. Assets are considered cash-generating where their primary objective is to generate a commercial return.

Non-cash-generating assets

Intangible assets subsequently measured at cost that have an indefinite useful life or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

Note 1: Statement of accounting policies (continued)

Property, plant, and equipment and intangible assets held at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable service amount. The recoverable service amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the present value of the asset's remaining service potential. Value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

If an asset's carrying amount exceeds its recoverable service amount, the asset is regarded as impaired and the carrying amount is written down to the recoverable service amount. The total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss is recognised in the surplus or deficit.

Payables

Short-term payables are recorded at their fair value.

Employee entitlements

Short-term employee entitlements

Employee entitlements that are due to be settled within 12 months after the end of the reporting period in which the employee renders the related service are measured based on accrued entitlements at current rates of remuneration. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, retirement leave and long service leave entitlements expected to be settled within 12 months.

Long-term employee entitlements

Employee entitlements that are due to be settled beyond 12 months after the end of the reporting period in which the employee renders the related service, such as long service leave and retirement leave, are calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlement information; and
- the present value of the estimated future cash flows.

Expected future payments are discounted using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long-term increase in remuneration for employees.

Presentation of employee entitlements

Annual leave, vested long service leave and non-vested long service leave and retirement leave expected to be settled within 12 months of balance date are classified as a current liability. All other employee entitlements are classified as a non-current liability.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to the State Sector Retirement Savings Scheme, KiwiSaver and the Government Superannuation Fund are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit as incurred.

Provisions

A provision is recognised for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable

Note 1: Statement of accounting policies (continued)

estimate can be made of the amount of the obligation. Provisions are not recognised for net deficits from future operating activities.

Provisions are measured at the present value of the expenditure and are disclosed using market yields on government bonds at balance date with terms to maturity that match, as closely as possible, the estimated timing of the future cash outflows. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs”.

Equity

Equity is the Crown’s investment in Crown Law and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified as taxpayers’ funds, and memorandum accounts.

Memorandum accounts

Memorandum accounts reflect the cumulative surplus/(deficit) on those departmental services provided that are intended to be fully cost recovered from third parties through fees and disbursements.

The balance of each memorandum account is expected to trend toward zero over time.

Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into as at balance date. Information on non-cancellable capital and lease commitments are reported in the statement of commitments.

Crown Law has no cancellable commitments.

Goods and Services Tax (GST)

All items in the financial statements and appropriation statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax, then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Income tax

Crown Law is a public authority and consequently is exempt from the payment of income tax. Accordingly, no provision has been made for income tax.

Statement of cost accounting policies

Crown Law has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are those costs directly attributed to an output. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific output.

Direct costs are charged directly to output expenses. Indirect costs are charged to outputs based on cost drivers and related activity or usage information. Personnel costs are charged on the basis of actual time incurred. Depreciation, capital charge and other indirect costs are assigned to outputs based on the proportion of direct staff costs for each output.

There have been no changes in cost accounting policies since the date of the last audited financial statements.

Critical accounting estimates and assumptions

In preparing these financial statements Crown Law has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and

Note 1: Statement of accounting policies (continued)

assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Retirement and long service leave

An analysis of the exposure in relation to estimates and uncertainties surrounding retirement and long service leave liabilities is disclosed in Note 11.

Budget and forecast figures

Basis of the budget and forecast figures

The 2016 budget figures are for the year ended 30 June 2016 and were published in the 2014/15 annual report. They are consistent with Crown Law's best estimate financial forecast information submitted to Treasury for the Budget Economic and Fiscal Update (BEFU) for the year ending 2015/16.

The 2017 forecast figures are for the year ending 30 June 2017, which are consistent with the best estimate financial forecast information submitted to Treasury for the BEFU for the year ending 2016/17.

The forecast financial statements have been prepared as required by the PFA to communicate forecast financial information for accountability purposes.

The budget and forecast figures are unaudited and have been prepared using the accounting policies adopted in preparing these financial statements.

The 30 June 2017 forecast figures have been prepared in accordance with PBE FRS 42 *Prospective Financial Statements* and comply with PBE FRS 42.

The forecast financial statements were approved for issue by the Chief Executive on 31 March 2016. The Chief Executive is responsible for the forecast financial statements, including the appropriateness of the assumptions underlying them and all other required disclosures.

While Crown Law regularly updates its forecasts, updated forecast financial statements for the year ending 30 June 2017 will not be published.

Significant assumptions used in preparing the forecast financials

The forecast figures contained in these financial statements reflect Crown Law's purpose and activities and are based on a number of assumptions on what may occur during the 2016/17 year. The forecast figures have been compiled on the basis of existing government policies and Ministerial expectations at the time the Main Estimates were finalised.

The main assumptions, which were adopted as at 31 March 2016, were as follows:

- Crown Law's activities and output expectations will remain substantially the same as the previous year focusing on the Government's priorities.
- Personnel costs were based on 164 full-time equivalent staff, which takes into account staff turnover.
- Operating costs were based on historical experience and other factors that are believed to be reasonable in the circumstances and are Crown Law's best estimate of future costs that will be incurred. Remuneration rates are based on current wages and salary costs, adjusted for anticipated remuneration changes.
- Estimated year-end information for 2015/16 was used as the opening position for the 2016/17 forecasts.

The actual financial results achieved for 30 June 2017 are likely to vary from the forecast information presented, and the variations may be material.

Since the approval of the forecasts, there has been no significant change or event that would have a material impact on the forecasts figures.

Note 2: Other revenue

Actual 2015 \$000	Actual 2016 \$000
Revenue received from:	
14,995 Government departments / other government entities	17,919
38 Other	44
11 Court awarded costs	14
15,044 Total other revenue	17,977

Note 3: Personnel costs

Actual 2015 \$000	Actual 2016 \$000
16,359 Salaries and wages	17,361
72 Other personnel costs	179
628 Employer contributions to defined contribution plans	665
(467) Increase/(decrease) in employee entitlements	251
16,592 Total personnel costs	18,456

Employer contributions to defined contribution plans include contributions to the State Sector Retirement Saving Scheme, the KiwiSaver, and the Government Superannuation Fund.

Note 4: Depreciation and amortisation expenses

Actual 2015 \$000	Actual 2016 \$000
Depreciation of property, plant and equipment	
92 Office equipment	91
149 Computer equipment	127
245 Leasehold improvements	249
252 Furniture and fittings	255
Amortisation of intangibles	
29 Computer software	18
767 Total depreciation and amortisation expenses	740

Note 5: Capital charge

Crown Law pays a capital charge to the Crown on its equity (adjusted for memorandum accounts) as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2016 was 8.0% (2015: 8.0%).

Note 6: Other expenses

Actual 2015 \$000	Actual 2016 \$000
56 Fees to Audit New Zealand for audit of the financial statements	57
346 Consultancy	431
1,130 Operating lease expenses (rent for office accommodation)	1,184
4,880 Other expenses	5,987
6,412 Total other operating expenses	7,659

Note 7: Receivables

Actual 2015 \$000	Actual 2016 \$000
1,675 Debtors (gross)	1,590
- Less provision for impairment	(13)
1,675 Net debtors	1,577
1,385 Work in progress (gross)	1,918
- Less provision for impairment	-
1,385 Net work in progress	1,918
2 Sundry debtors	-
3,062 Total receivables	3,495
Total receivables comprise:	
3060 Receivables from the sale of legal advice and representation services to other government agencies at cost recovery (exchange transactions)	3,489
2 Receivables from miscellaneous expense recoveries	6

The carrying value of receivables approximates their fair value.

The ageing profile of receivables at year end is detailed as follows:

	2015			2016		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	1,509	-	1,509	1,382	(13)	1,369
Past due 1-30 days	94	-	94	57	-	57
Past due 31-60 days	52	-	52	57	-	57
Past due 61-90 days	1	-	1	25	-	25
Past due >90 days	19	-	19	69	-	69
Total	1,675	-	1,675	1,590	(13)	1,577

The provision for impairment has been calculated based on expected losses following an analysis of the past due accounts.

Work in progress comprises mainly unbilled June 2016 fees and disbursements.

Note 8: Property, plant and equipment

Movements for each class of property, plant, and equipment are as follows:

	Leasehold improvements \$000	Office equipment \$000	Furniture and fittings \$000	Computer equipment \$000	Total \$000
Cost					
Balance at 1 July 2014	1,573	583	1,456	1,338	4,950
Additions	33	-	5	33	71
Disposals	-	-	-	-	-
Balance at 30 June 2015	1,606	583	1,461	1,371	5,021
Balance at 1 July 2015	1,606	583	1,461	1,371	5,021
Additions	-	-	51	212	263
Disposals	-	-	-	-	-
Balance at 30 June 2016	1,606	583	1,512	1,583	5,284

Accumulated depreciation and impairment losses

Balance at 1 July 2014	241	181	461	993	1,876
Depreciation expense	245	92	252	149	738
Elimination on disposal	-	-	-	-	-
Balance at 30 June 2015	486	273	713	1,142	2,614
Balance at 1 July 2015	486	273	713	1,142	2,614
Depreciation expense	249	91	255	127	722
Elimination on disposal	-	-	-	-	-
Balance at 30 June 2016	735	364	968	1,269	3,336

Net carrying amount

At 30 June and 1 July 2014	1,332	402	995	345	3,074
At 30 June 2015	1,120	310	748	229	2,407
At 30 June 2016	871	219	544	314	1,948

There are no restrictions over the title of Crown Law's property, plant and equipment. No property, plant and equipment assets are pledged as security for liabilities.

Note 9: Intangible assets

Movements for intangible assets are as follows:

	Acquired software \$000
Cost	
Balance at 1 July 2014	1,882
Additions	24
Disposals	-
Balance at 30 June 2015	1,906

Balance at 1 July 2015	1,906
Additions	13
Disposals	-
Balance at 30 June 2016	1,919

Accumulated amortisation and impairment losses

Balance at 1 July 2014	1,837
Amortisation expense	29
Elimination on disposal	-
Impairment losses	-
Balance at 30 June 2015	1,866
Balance at 1 July 2015	1,866
Amortisation expense	18
Elimination on disposal	-
Impairment losses	-
Balance at 30 June 2016	1,884

Net carrying amount

At 30 June and 1 July 2014	45
At 30 June 2015	40
At 30 June 2016	35

There are no restrictions over the title of Crown Law's intangible assets. No intangible assets are pledged as security for liabilities.

Note 10: Payables and deferred revenue

Actual 2015 \$000	Actual 2016 \$000
Payables and deferred revenue under exchange transactions	
36 Creditors – Crown Solicitors' fees	91
146 Creditors – Other	913
4,445 Other accrued expenses – Unbilled Crown Solicitors' fees	5,001
448 Other accrued expenses	359
- Income in advance for cost recovered services	-
5,075 Total Payables and deferred revenue under exchange transactions	6,365
Payables and deferred revenue under non-exchange transactions	
322 GST payable	298
322 Total Payables and deferred revenue under non-exchange transactions	298
5,397 Total payables and deferred revenue	6,663

Note 11: Employee entitlements

Actual 2015 \$000	Actual 2016 \$000
Current liabilities	
30 Personnel accruals	161
930 Annual leave	1,057
81 Retirement leave and long service leave	64
1,041 Total current portion	1,282
Non-current liabilities	
174 Retirement leave and long service leave	184
174 Total non-current portion	184
1,215 Total employee entitlements	1,466

Annual leave is calculated using the number of days owing as at 30 June 2016.

The Collective Employment Agreement came into effect from 22 April 2010. The Collective Employment Agreement and individual employment contracts provide for one week's long service leave after completing 10 years' service with Crown Law. A small number of employees have grand-parented long service leave arrangements prior to the above agreement.

The retirement and long service leave from an old expired contract are maintained for six staff as at June 2016 (2015: six).

The measurement of the long service leave and retirement gratuities obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. Two key assumptions used in calculating this liability are the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The discounts rates in year 1 of 2.12% (2015: 2.93%), year 2 of 1.95% (2015: 2.81%), and year 3 and beyond of 3.13% (2015: 4.39%), and a long-term salary inflation factor of 3.00% (2015: 3.00%) were used. The discount rates and the salary inflation factor used are those advised by the Treasury.

Note 12: Return of operating surplus

Actual 2015 \$000	Actual 2016 \$000
677 Net surplus/(deficit)	(438)
(507) Add (surplus)/deficit of memorandum account: legal advice and representation	(247)
854 Add (surplus)/deficit of memorandum account: government legal network	873
(14) Add (surplus)/deficit of memorandum account: processing of Queen's Counsel applications	(6)
1,011 Provision for repayment of surplus to the Crown	182

The repayment of surplus to the Crown is required to be paid by 31 October of each year.

Note 13: Equity

Actual 2015 \$000		Actual 2016 \$000
Taxpayers' funds		
2,063	Balance at 1 July	2,062
	- Transfer from Revaluation Reserve	
677	Net surplus/(deficit)	(438)
333	Transfer of memorandum accounts net (surplus) /deficit for the year	620
	- Capital injections	-
(897)	Creditor Crown (Approved in-principal transfer)	-
(114)	Return of operating surplus to the Crown	(182)
2,062	Balance at 30 June	2,062
Memorandum account: Legal advice and representation		
1,916	Balance at 1 July	1,623
(800)	Transfer to Memorandum Account: Government Legal Network	(900)
1,116	Adjusted opening balance at 1 July	723
507	Net memorandum account surpluses/(deficits) for the year	247
	- Return of surplus to the Crown	-
1,623	Balance at 30 June	970
Memorandum account: Government Legal Network		
95	Balance at 1 July	41
800	Transfer from Memorandum Account: Legal advice and representation	900
895	Adjusted opening balance at 1 July	941
(854)	Net memorandum account surpluses/(deficits) for the year	(873)
	- Return of surplus to the Crown	-
41	Balance at 30 June	68
Memorandum account: Processing of Queen's Counsel applications		
20	Balance at 1 July	34
14	Net memorandum account surpluses/(deficits) for the year	6
	- Return of surplus to the Crown	-
34	Balance at 30 June	40
3,760	Total equity as at 30 June	3,140

Note 14: Reconciliation of net surplus/deficit to new cash flow from operating activities

Actual 2015 \$000	Actual 2016 \$000
677 Net surplus/(deficit)	(438)
767 Depreciation and amortisation expense	740
767 Total non-cash items	740
Add/(less) items classified as investing or financing activities	
- Net (gain)/loss on disposal of property, plant and equipment	-
- Add/(less) movements in statements of financial position items	-
522 (Increase)/decrease in receivables	(433)
(174) (Increase)/decrease in prepayments	177
(400) Increase/(decrease) in payables and deferred revenue	369
(706) Increase/(decrease) in provision	-
(467) Increase/(decrease) in employee entitlements	251
(1,225) Total net movement in working capital items	364
219 Net cash flow from operating activities	666

Note 15: Financial instrument

Note 15A: Financial instrument categories

The carrying amounts of financial assets and financial liabilities in each of the financial instrument categories are as follows:

Actual 2015 \$000	Actual 2016 \$000
Cash and receivables	
5,313 Cash and cash equivalents	5,589
3,062 Receivables	3,495
8,375 Total cash and receivables	9,084
Financial liabilities measured at amortised cost	
5,397 Payables	6,663
5,397 Total payables	6,663

Note 15B: Financial instrument risks

Crown Law's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Crown Law has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Crown Law occasionally purchases goods and services from overseas, such as Australia, but contracts are always signed in New Zealand currency. Therefore, Crown Law has no exposure to currency risk.

Note 15B: Financial instrument risks (continued)

Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate, or the cash flow from a financial instrument will fluctuate, due to changes in market interest rates.

Crown Law has no interest bearing financial instruments and, accordingly, has no exposure to interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to Crown Law, causing Crown Law to incur a loss.

In the normal course of its business, credit risk arises from receivables, deposits with banks and derivative financial instrument assets.

Crown Law is permitted to deposit funds only with Westpac (Standard & Poor's credit rating of AA-), a registered bank with high credit rating.

Crown Law does not enter into foreign exchange forward contracts.

Crown Law's maximum credit exposure for each class of financial instrument is represented by the total carrying amount of cash and cash equivalents, and receivables (refer Note 7). There is no collateral held as security against these financial instruments, including those instruments that are overdue or impaired.

Liquidity risk

Liquidity risk is the risk that Crown Law will encounter difficulty raising liquid funds to meet commitments as they fall due.

In meeting its liquidity requirements, Crown Law closely monitors its forecast cash requirements with expected cash drawdowns from the New Zealand Debt Management Office. Crown Law maintains a target level of available cash to meet liquidity requirements.

The table below analyses Crown Law's financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Notes	Carrying Amount \$000	Contractual cash flows \$000	Less than 6 months \$000	6 months- 1 year \$000	1-5 years \$000	Over 5 years \$000
2015							
Payables	11	5,397	5,397	5,397	-	-	-
2016							
Payables	11	6,663	6,663	6,663	-	-	-

Crown Law has no finance leases and derivative financial instrument liabilities.

Note 16: Capital Management

Crown Law's capital is its equity, which comprise taxpayers' funds, memorandum accounts. Equity is represented by net assets.

Crown Law manages its revenues, expenses, assets, liabilities, and general financial dealings prudently. Crown Law's equity is largely managed as a by-product of managing revenue, expenses, assets, liabilities, and compliance with the government budget processes, Treasury Instructions and the Public Finance Act 1989.

The objective of managing Crown Law's equity is to ensure that the office effectively achieves its goals and objectives for which it has been established while remaining a going concern.

Note 17: Related party information

Crown Law is a wholly-owned entity of the Crown.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect Crown Law would have adopted in dealing with the party at arm's length in the same circumstances. Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between government agencies and undertaken on the normal terms and conditions for such transactions.

Collectively, but not individually significant, transactions with government-related entities

The Cabinet Directions for the Conduct of Crown Legal Business 2016 (Cabinet Manual Appendix C) set out the requirements for chief executives of departments to refer specified legal work to Crown Law. During the year ended 30 June 2016, Crown Law has provided legal services to departments and government entities in the amount of \$17,608 million (2015: \$14.995 million).

Transactions with key management personnel

Key management personnel compensation

Actual 2015 \$000	Actual 2016 \$000
1,786 Salaries and other short-term employee benefits	1,819
58 Post-employment benefits	60
1,844 Total key management personnel compensation	1,879
5 Full-time equivalent staff	5

Key management personnel include the Solicitor-General and the four members of the senior management team.

The Remuneration Authority determines the Solicitor-General's remuneration annually.

Post-employment benefits are employer contributions for State Sector Retirement Savings Scheme, Kiwi Saver, and the Government Superannuation Fund.

There are no related party transactions involving key management personnel (or their close family members).

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

Note 18: Memorandum accounts

Actual 2015 \$000	Actual 2016 \$000
Legal advice and representation	
1,916 Opening balance at 1 July	1,623
(800) Transfer to Memorandum Account: Government Legal Network	(900)
14,951 Revenue	17,535
(14,444) Less expenses	(17,288)
507 Surplus/(deficit) for the year	247
1,623 Closing balance at 30 June	970

Government Legal Network		
95	Opening balance at 1 July	41
800	Transfer from Memorandum Account: Legal advice and representation	900
47	Revenue	73
(901)	Less expenses	(946)
(854)	Surplus/(deficit) for the year	(873)
41	Closing balance at 30 June	68
Processing of Queen's Counsel applications		
20	Opening balance at 1 July	34
35	Revenue	30
(21)	Less expenses	(24)
14	Surplus/(deficit) for the year	6
34	Closing balance at 30 June	40
Total memorandum accounts		
2,031	Opening balance at 1 July	1,698
15,033	Revenue	17,638
(15,366)	Less expenses	(18,258)
(333)	Surplus/(deficit) for the year	(620)
1,698	Closing balance at 30 June	1,078

These accounts summarise financial information relating to the accumulated surpluses and deficits incurred in the provision of legal advice and representation services, government legal network, and processing of Queen's Counsel applications by Crown Law to third parties on a full cost recovery basis.

The balance of each memorandum account is expected to trend toward zero over a reasonable period of time, with interim deficit being met whether from cash from Crown Law's statement of financial position or by seeking approval for a capital injection from the Crown. Capital injections will be repaid to the Crown by way of cash payments throughout the memorandum account cycle.

The transactions are included as part of Crown Law's operating income and expenses in the net surplus/(deficit), however, effective from 1 July 2011, these transactions have been excluded from the calculation of Crown Law's return of operating surplus (refer Note 12). The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer Note 13).

Action taken to address surpluses and deficits

The fee strategy has been developed and will be regularly reviewed to ensure that the fee structure and associated revenues are in line with the forecast activities.

Transfers of \$500,000, \$800,000 and \$900,000 have been approved respectively for the last three financial years from memorandum account: Legal Advice and Representation to the memorandum account: Government Legal Network to cover the set up and operating costs of the Government Legal Network.

Note 19: Events after balance date

There have been no significant events after the balance date.

Note 20: Explanation of major variances against budget

Explanations for major variances from Crown Law's 2015/16 budgeted figures are as follows:

Statement of Comprehensive Income

Income from the Crown

Income from the Crown was greater than budgeted by \$812,000 because of an in-principal transfer of \$897,000 from 2014/15 to 2015/16 which was not included in the original budget, and offset by \$85,000 returned to the Crown for share of costs for Budget 2015 whole-of-Government initiatives.

Statement of Financial Position

Cash and cash equivalents

Cash and cash equivalents were more than budgeted by \$1.634 million, mainly due to

- an in-principal transfer of \$897,000 from 2014/15 to 2015/16 which was not included in the original budget, resulted in a \$897,000 reduction in repayment of 2014/15 surplus to the Crown,
- an increase of \$1,512 million in accrued payables compare to the original budget,
- \$409,000 of underspend in capital assets mainly due to deferred IT structure review.

These are to offset by,

- debtors and other receivables were great than budgeted by \$495,000,
- a decrease of \$224,000 in the employee entitlement compare to the original budget, and
- the year end return of operating surplus of \$182,000 was not budgeted.

Debtors and other receivables

Debtors and other receivables were great than budgeted by \$495,000 mainly due to increased work in progress (fees and disbursement) was recorded in June.

Schedule of Trust Monies

For the year ended 30 June 2016

Actual 2015 \$000	Actual 2016 \$000
Crown Law Office Legal Claims Trust Account	
284	253
Balance at 1 July	
340	656
Contributions	
(370)	(370)
Distributions	
4	8
Revenue	
(5)	(2)
Expenditure	
253	545
Balance at 30 June	

This interest bearing account is operated to receive and pay legal claims and settlements on behalf of clients of Crown Law. In accordance with the Public Finance Act 1989, the interest income is payable to the Crown.

Statement of Departmental Unappropriated Expenses and Capital Expenditure

For the year ended 30 June 2016

Unappropriated Expenditure 2015 \$000	Actual 2016 \$000	Supplementary Estimate 2016 \$000	Unappropriated Expenditure 2016 \$000
Vote Attorney-General			
Supervision and conduct of Crown prosecutions and appeals MCA			
61 Output class: Conduct of criminal appeals from Crown prosecutions	2,933	3,285	-
61 Total	2,933	3,285	-

Expenses to be approved under section 26C of the Public Finance Act 1989

Crown Law did not incur any unappropriated expenditure in 2015/16.

The unappropriated expenditure of \$61,000 incurred in 2014/15 in the MCA - Conduct of Criminal Appeals from Crown Prosecutions was due to the Pora appeal being heard in front of the Privy Council on 4 and 5 November 2014. The expenses incurred were outside the scope of the appropriation. The scope statement has since been updated to cover appeals to the Privy Council.

Statement of Budgeted and Actual Expenses and Capital Expenditure incurred against Appropriations

For the year ended 30 June 2016

Actual 2015 \$000		Actual 2016 \$000	Main Estimates 2016 \$000	Supp Estimates 2016 \$000	Appropriation Voted 2016* \$000	In principal transfer 2016 \$000
Vote Attorney-General						
Appropriations for output expenses						
15,346	Legal advice and representation	18,235	22,365	22,365	22,365	-
39,466	Supervision and conduct of Crown prosecutions and appeals MCA	40,479	38,773	40,590	40,590	97
2,952	<i>Criminal law advice and services</i>	2,939	1,488	2,408	2,408	-
2,993	<i>Conduct of criminal appeals from Crown prosecutions</i>	2,933	3,285	3,285	3,285	-
753	<i>Oversight and Supervision of Public Prosecutions and the Crown Solicitor Network</i>	753	840	840	840	-
32,768	<i>Provision of a National Crown prosecution service</i>	33,854	33,160	34,057	34,057	97
1,892	The exercise of Principal Law Officer functions	2,160	3,328	2,357	2,357	-
56,704	Total appropriations for output expenses	60,874	64,466	65,312	65,312	97
Appropriations for capital expenditure						
95	Capital investment	276	685	499	499	-
56,799	Total appropriations	61,150	65,151	65,811	65,811	97

* This includes adjustments made in the Supplementary Estimates and the additional expenditures incurred under section 26 of the Public Finance Act 1989. Crown Law did not incur any unappropriated expenditure in 2015/16.

As per section 2 and section 4 of the Public Finance Act 1989, expenditure reported should exclude re-measurements from appropriation.

There have been no re-measurements identified during the 2015/16 financial year, which implies that the actual expenditure incurred was equal to the expenditure after re-measurement.

This copyright work is licensed under the Creative Commons Attribution 4.0 International Public License. In essence, you are free to copy, distribute and adapt the work, as long as you attribute the work to 'Crown Law' and abide by the other licence terms.

To view terms of the Creative Commons Attribution 4.0 International Public License, see:

- <http://creativecommons.org/licenses/by/4.0/>
- <http://creativecommons.org/licenses/by/4.0/legalcode>

Please note that neither Crown Law nor New Zealand Government logos may be used in any way which infringes any provision of the Flags, Emblems and Names Protection Act 1981 or would infringe such provision if the relevant use occurred within New Zealand. Attribution to 'Crown Law' should be in written form and not by reproduction of either Crown Law or New Zealand Government logos. 2016 © Crown Copyright



Crown Law Office

**PO Box 2858 or DX SP20208
Wellington 6140
New Zealand**

**Phone: +64 4 472 1719
Fax: +64 4 473 3482**

www.crownlaw.govt.nz

