

# Crown Law

## Annual Report for the year ended 30 June 2014

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

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## Introduction from the Solicitor-General

2013/2014 brought completion of a significant change programme which commenced in 2012. We have made substantial progress during the year while continuing to provide high quality legal advice and representation to government. The changes have been focused on strengthening our services to ensure we continue to be the Crown's trusted legal advisor.

The quality of our lawyers is reflected in a number of appointments during the year including to the High Court, the District Court and the office of Inspector-General of Intelligence and Security. We have attracted highly talented staff from within Crown Law and the wider legal profession in response.

I am grateful in particular to Kevin Allan (Deputy CEO), Virginia Hardy, Brendan Horsley and Una Jagose (Deputy Solicitors-General) who make up the Management Board of Crown Law and have been responsible for the change programme.

In 2013/14 Crown Law continued two significant leadership roles. First, leadership of the Government Legal Network (GLN) and initiatives to improve the management of legal risk. Second, oversight of public prosecutions through the Public Prosecutions Unit. The GLN has gathered significant momentum with GLN online serving 33 departments and over 650 lawyers. The GLN has increased shared training, implemented new legal risk reporting, and commenced recruitment and talent management initiatives. We had the privilege of hosting Sir Paul Jenkins former UK Treasury Solicitor to assess GLN progress with a favourable result.

The Public Prosecutions Unit has worked with Crown Solicitors to strengthen our supervision and oversight of the Crown Solicitor Network and is making an ongoing contribution to increasing the efficiency and effectiveness of prosecution services across the public sector. Crown Solicitors have managed the first year of the new criminal

procedure and new funding model with the professionalism and quality they are renowned for.

Crown Law worked with the Ministry of Justice, New Zealand Police, Department of Corrections and Serious Fraud Office in support of the Government's Better Public Services in the Justice sector. We continued to support the Treaty settlement process and a broad range of Treaty related issues. We also shared our expertise with the Law Commission on many aspects of their law reform programme.

We intend to continue delivering high quality, responsive, and fit-for-purpose services. The changes we have made will improve our efficiency, for example completing our ICT transformation resulting in greater ICT mobility and security.

Ultimately, our success, both in implementing our change programme and in continuing to deliver core Crown legal work, depends on the quality of our people in all areas of the office. We are fortunate to have highly skilled and motivated people with a strong commitment to serve the Crown and uphold the rule of law.

I am confident that, following on from what has been achieved, Crown Law will continue its contribution to strengthening trust in our justice system, holding offenders to account, and ensuring the government acts lawfully.

I take this opportunity to acknowledge and thank the Attorney-General, the Honourable Christopher Finlayson QC, for his diligence in supporting our work. I also thank our GLN, Crown Solicitor and Justice-sector colleagues for their support and assistance.



Michael Heron QC

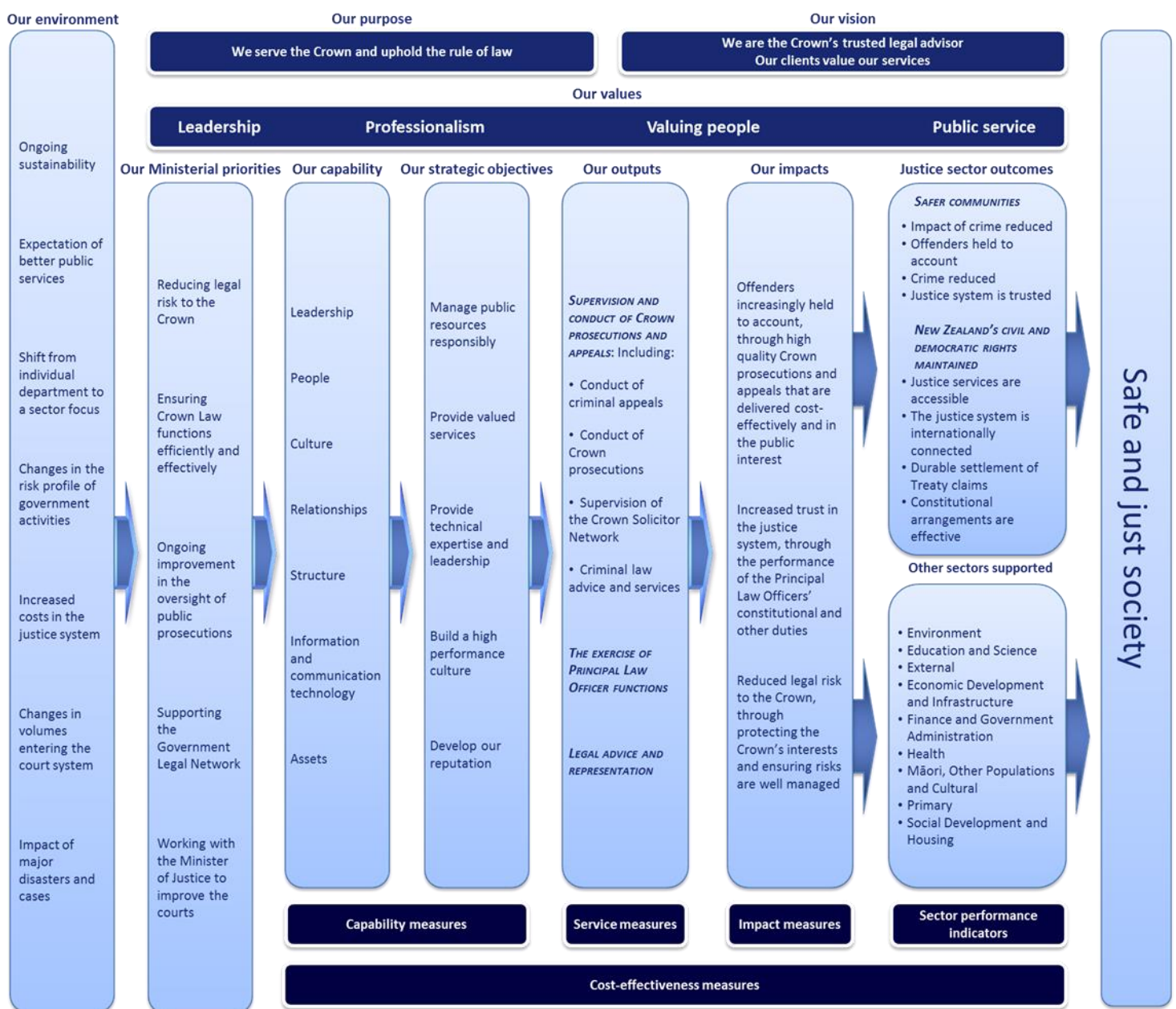
**Solicitor-General and Chief Executive**



# Our performance framework

Crown Law’s performance framework sets out why we exist, what we do, how we do it, our impact and our contribution to justice sector outcomes. Our objectives within the framework are complemented by performance measurement to ensure our value, efficiency and effectiveness

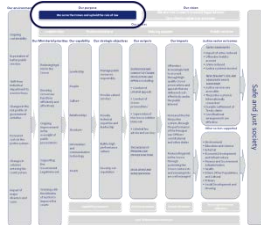
Figure 1: Crown Law’s performance framework – the details of which are set out in this document.



# Who we are

## Our purpose

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Crown Law is a government department providing legal advice and representation to the government in matters affecting the executive government, particularly in the areas of criminal, public and administrative law. Our purpose, in short, is to serve the Crown and uphold the rule of law. Our focus is on core Crown legal work, the scope of which is set out by Parliament (most recently in the *Cabinet Directions for the Conduct of Crown Legal Business 2012*).<sup>2</sup> This includes matters that, because of their nature, have such significance for the Crown that they should be undertaken under the supervision of the Law Officers. This includes serious criminal matters, matters related to the Treaty of Waitangi, international obligations, the Human Rights Act 1990, protecting Crown revenue, and the lawfulness of actual or proposed exercise of public power, duty or function.

Crown Law supports the Attorney-General and the Solicitor-General, New Zealand's Principal Law Officers, who have constitutional responsibility for determining the Crown's view of what the law is, and ensuring that the Crown's litigation is properly conducted.

### THE PRINCIPAL LAW OFFICERS

The Attorney-General is the senior Law Officer of the Crown, with principal responsibility 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 adviser and advocate in the courts. The Solicitor-General holds office as an official of government and is also the Chief Executive of Crown Law.

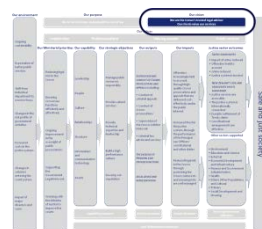
### OUR EXPERTISE

Crown Law supports the Crown in many unique and varied legal matters in areas such as the New Zealand Bill of Rights Act 1990, human rights, land and environment interests, social services, employment law, citizenship, cultural issues, protection of revenue, international obligations, and the Treaty of Waitangi.

We participate in crucial all-of-government responses to national disasters and inquiries, such as the Christchurch earthquake recovery.

We are also responsible for managing and supervising the Crown Solicitor Network in their work conducting Crown prosecutions, and 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 constitutional 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, rigorous in enforcing high standards of technical ability and service, and by being focused on providing excellent client service. We work collaboratively with clients to meet their needs, professionally and cost-effectively, while also managing legal risk across government.

<sup>1</sup> These small images show how the section relates to the department's overall performance framework (please see page 3).

<sup>2</sup> <http://cabinetmanual.cabinetoffice.govt.nz/appendix-c>

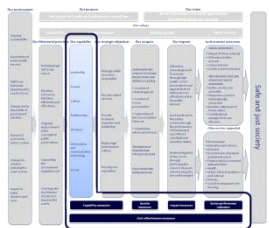
## Our operating environment



The government sector is operating within tight financial constraints that require us to do more with less. Justice sector costs have grown significantly in recent years but the volume of cases going through the criminal and civil justice systems is declining. The challenge is to realise savings from this reduction in volume while ensuring public safety is maintained and services are accessible.

The Government expects agencies to demonstrate that they are effective and efficient, and that they contribute to the relevant outcomes the Government is seeking. There is a much greater expectation that agencies will work together within and across sectors to improve the services they deliver and be more cost-effective.

## Responding to our environment



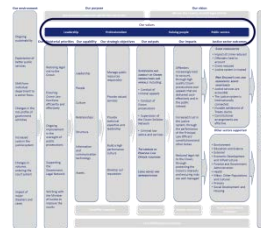
We are committed to continued improvement of performance and capability. To do this we must maintain the appropriate mix of legal roles and experience, enabling greater flexibility to deploy legal resources across teams and legal matters.

This annual report shows how we have performed in 2013/14 and also describes how we have continued to prepare ourselves for providing high quality legal advice and services in the future. We have also described how we maintain confidence in the quality of legal advice and services we provide, and our value for money in terms of a strategic approach to contributing efficiently, effectively and sustainably to the objectives of the justice sector and wider government.

As many of our clients have offices in Auckland and a growing proportion of Crown litigation is done in

the Auckland courts, we have established an Auckland office, on a pilot basis, to service core Crown legal work in the Auckland region. The pilot, funded and staffed through Crown Law's current baseline and staffing levels, will be assessed to consider the opportunities provided by having a presence in Auckland.

## Our leadership and governance



Our Management Board recognises that in order for Crown Law to build on its strengths, it must also have enhanced collective leadership combined with effective management capability.

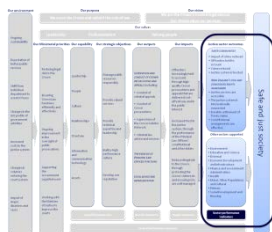
The Management Board, individually and collectively, are committed to improving the leadership, strategic focus, and management of Crown Law.

Our leadership and governance is supported by our governance framework, which distinguishes between strategic leadership and operational management. This ensures we are directing the right capability to the right level of governance, 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 Management Board and Operational Management Committee, is supported by groups and committees such as the Education Committee and the Professional Standards Committee. Implemented in 2013, the governance structure has ongoing importance in embedding organisational changes and guiding Crown Law in its strategic objectives.

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

# The difference we make

## Sector outcomes and contribution to Government goals



### The justice sector

The Ministry of Justice is the lead agency in the justice sector, which also includes Crown Law, the New Zealand Police, Department of

Corrections, Serious Fraud Office, and the Ministry of Social Development (for youth justice). Crown Law participates in the governance of the sector, and our four-year plan is included in the sector four-year plan. We have made a real contribution to the sustainability of the justice sector through the structural and other changes that have been implemented by Crown Law. These changes mean that in 2014/15 Crown Law can concentrate on its strengths, its people and delivering high quality legal advice and services.

In addition, Crown Law's early adoption of more mobile and secure use of ICT is helping pave the way in the sector for more efficient and effective justice services.

Justice sector Ministers recognise that achieving the best outcomes for people participating in justice sector processes requires all agencies to be working towards the same goals. The ultimate justice sector outcome is a "safe and just society", which is achieved through shared priorities, as shown in the diagram below. Crown Law has a significant role in ensuring that institutions are strong and in fortifying the just processes and the freedom from corruption that maintain New Zealand's strong international standing in these areas regarding the rule of law.

### Justice sector outcomes

There will continue to be substantial policy, legislative and operational change across the sector, as we respond to the Government's ambitious Better Public Services targets to reduce crime (total crime, violent crime and youth crime) and re-offending. The justice sector Results Action Plan sets out a roadmap for achieving results – by reducing opportunities for crime, targeting vulnerable youth and youth offenders, reducing alcohol and drug abuse, and reducing reoffending. Crown Law supports progress towards the justice sector Better Public Services results by ensuring offenders are held to account through high quality prosecutions and appeals. To achieve this we work closely with our colleagues in the justice sector, and in strengthening public prosecution services through the work of the Public Prosecutions Unit.

### Other government sectors

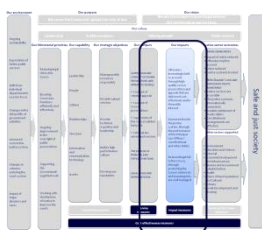
Crown Law's work contributes to all sectors of government. While our home is within the justice sector, our outputs, particularly legal advice and representation services and the exercise of the Principal Law Officer functions, support agencies in other government sectors in managing their legal risks and obligations. This has been strengthened by building strong client relationships that help us to provide the Government and the wider public sector with legal advice and services. Through the Government Legal Network within Crown Law, we have a leadership role in bringing the community of 800+ lawyers across government together to share knowledge and resources, to improve services and results. This enables other agencies to deliver on their respective responsibilities in supporting the Government's objectives.



## Our impact

### Crown Law's impact, the way in which we contribute to justice sector outcomes:

- Offenders are held to account, through high quality Crown prosecutions and appeals that are delivered cost-effectively and in the public interest
- Increased trust in the justice system, through the performance of the Principal Law Officers' constitutional and other duties
- Reduced legal risks to the Crown, through protecting the Crown's interests and ensuring any risks are well managed



The impact of Crown Law's high quality prosecution services, and our oversight and management of the Crown Solicitor Network providing prosecution services, is to the general

public the most visible part of what we do. It should be noted that in providing such services Crown Law's focus is in bringing the best prosecution possible so that whatever the finding, it rests on the highest quality of legal arguments. That is success – a successful prosecution could result in helping to prove, beyond doubt, innocence or guilt but that decision is not Crown Law's to make.

In part, it is this unbiased approach, prosecuting to the highest standards in the most serious and difficult matters without fear or favour, that helps to maintain the trust of the New Zealand public in the fairness and effectiveness of the justice system. The trust extends to knowing that Crown Law will exercise due diligence in ensuring the public's interests are at the fore and properly aligned with the law when legal questions arise and subsequent action could be taken. In this, and in similar roles, Crown Law is an independent guardian of fairness and the rule of law. The impact of that is a society that can have confidence in going about its lawful business without fear of indiscriminate or improperly influenced legal action. The independent approach we take also means that no person is above the law, the impact of that being we live in a country where people know they have rights that are protected. The protection of rights has a direct impact on the ability of society to function and the economy to smoothly operate.

However, those rights may also be infringed upon indirectly, for example through the effects of tax evasion. Crown Law has successfully represented the Crown in significant tax-related matters, to secure monies that would otherwise have been wrongly kept from the same purse into which all taxpayers contribute and from which important services such as education and health are funded.

Although the effects of our legal advice and services to the Government and departments might not be visible to the general public, Crown Law has a significant role in enabling the Government and departments to operate confidently within the bounds of the law. As set out in the *Cabinet Directions for the Conduct of Crown Legal Business 2012*, this includes acting as a check on the lawfulness of actual or proposed exercise of public power, duty or function.

The legal advice and services Crown Law provides also help to reduce and manage legal risks to the Crown and, when questions of law arise, enables public departments to provide services and take actions without fear of breaching laws and regulations. This is vital for the smooth operation of government in its dealings with other countries, businesses and with private citizens every day.

In terms of the Government's objectives, particularly Better Public Services, the work we do contributes most directly to the achievement of justice sector outcomes, but also to the smooth function of wider government and society through:

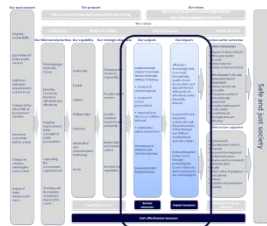
- Reducing the impact of crime
- Maintaining strong institutions
- Improving services
- Managing investment

All of which contribute to a safe and just society, and the strength of institutions that are cornerstones of our democracy.



## Our outputs

### What we do



The legal advice and services we provide to the Government and to public departments and agencies, including the provision of public prosecution services, are our outputs. These include the Crown Solicitor Network and the Government Legal Network. Our outputs are provided within the Budget appropriations of Vote Attorney-General, and align with the scopes of these appropriations. Our outputs, their links to the appropriations and intended impacts are described below.

### Offenders increasingly held to account, through high quality Crown prosecutions and appeals that are delivered cost-effectively and in the public interest

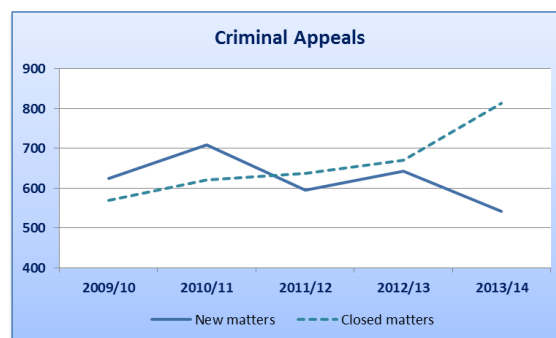
Links to Appropriation:

#### Supervision and conduct of Crown prosecutions and appeals

High quality prosecutions and appeals, delivered cost-effectively and free from political interference, are crucial to a democratic society. The Solicitor-General is responsible for oversight of public prosecutions, Crown representation in criminal appeals and a number of specific statutory duties in relation to administration of the criminal justice system. Crown Law supports the Solicitor-General to fulfil these responsibilities through management and oversight of the Crown Solicitor Network.

Crown Law conducts criminal appeals in the High Court, Court of Appeal and the Supreme Court, both where the appeal has been brought by the Crown and where it has been brought by the accused/defendant. We provide advice on requests for Crown appeals, judicial reviews, stays of prosecution, and consent to prosecute. We also make decisions on appeal requests from prosecuting agencies and we bring Crown appeals against Court-imposed sentences that are considered to be inadequate.

The following diagram shows the volumes of appeals-related work across years:<sup>3</sup>



In 2013/14 staff conducted checks to ensure all files that could be closed were, and processes were improved to support timely closure of matters. It is likely this contributed to the increased disposal of matters seen in the diagram above, which when combined with fewer new matters resulted in higher clearance rates and decreased matters in progress.

Crown prosecutions are primarily conducted by Crown Solicitors. Crown Solicitors are appointed under warrant of the Governor-General and they undertake work under the supervision of the Solicitor-General. Crown Law supports the Solicitor-General in the performance of this supervisory function. This includes managing Crown Solicitor warrants, funding, guiding and sharing prosecution practice and knowledge, and reviewing practices to ensure high quality, value for money services are provided.

Crown Law also provides legal advice and responds to applications on criminal law issues. We provide legal advice and representation in respect of 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. The following diagram shows the volumes of criminal law work across years. The increase in closed matters in 2012/13 resulted from a project to close case documents as part of the move to new accommodation in 2013/14.

<sup>3</sup> In this and similar diagrams in this report, 'matters' is a generic term used by Crown Law to refer to a range of legal activities which include criminal prosecutions, appeals, legal advice to government departments, advice about constitutional matters, litigation and core Crown legal work as determined by the Cabinet Office of the Government.



Crown Law's focus over the next three years, regarding Crown prosecutions and appeals, is on the maintenance of high-quality and effective services, and ensuring costs are effectively managed.

### Significant and interesting criminal matters

#### *Lundy v R*

This was an appeal by Mark Lundy to the Privy Council against his convictions for the murder of his wife and daughter. The Board held that the appeal should be allowed, that the convictions should be quashed and that the appellant should stand trial again on the charges of murder. The re-trial is to be held in the Wellington High Court.

#### *Dotcom v United States of America*

In this case the Supreme Court ruled on important aspects of the extradition proceedings in respect of Kim Dotcom.

The Court dismissed Mr Dotcom's appeal from the Court of Appeal. Matters clarified by the Supreme Court included the relationship between extradition and criminal process rights in sections 24 and 25 of the New Zealand Bill of Rights Act 1990 and the function of disclosure in extradition proceedings. The Court held that the record of case procedure was intended to permit requesting states to rely on a summary of evidence, rather than its detail, to establish a prima facie case.

Mr Dotcom's eligibility for extradition is expected to be heard in the Auckland District Court in February 2015.

#### *R v Antonievic*

In this case, the Court of Appeal upheld an appeal against a decision of the High Court in which the prosecutions of 21 defendants for a total of 151 counts was stayed. The reason for the stay was that certain police actions undertaken during an undercover investigation rendered the trial an abuse of process.

The Court of Appeal held that cases in which misconduct is so egregious as to make proceeding with the case offensive are likely to be relatively rare. The High Court had mistakenly placed focus on impugned conduct rather than the likely effect on the fairness of a future trial and it was inappropriate to use stay as a disciplinary measure against Police.

### Appeals clarifying Criminal Procedure Act 2011

The Criminal Team conducted several appeals clarifying aspects of the Criminal Procedure Act (CPA) 2011, a major criminal process reform that commenced last year. Two such cases were *MacAllister v R* and *Tutakangahau v R*.

In *MacAllister* the Court of Appeal dealt with leave for second appeals under the new regime. They noted that the previous requirement for a question of law is gone and the leave provisions for the High Court and Court of Appeal were generally in line with the leave criteria for the Supreme Court. Despite the dropping of the requirement for a question of law, the Court issued a caution that that did not necessarily mean a more liberal standard will be applied to questions of leave on a second appeal.

*Tutakangahau v R* concerned the test to be satisfied by an appellant in a sentence appeal under the new regime. The Court of Appeal held that the introduction of the CPA was not intended to change the previous approach that was supported by precedence and that the concept of 'manifestly excessive' was consistent with the new statutory language.

### Increased trust in the justice system, through the performance of the Principal Law Officers' constitutional and other duties

Links to Appropriation:

**The Exercise of Principal Law Officer functions**

Crown Law supports the Attorney-General and the Solicitor-General in performing their roles. We assist the Law Officers to act as independent legal advisors 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.

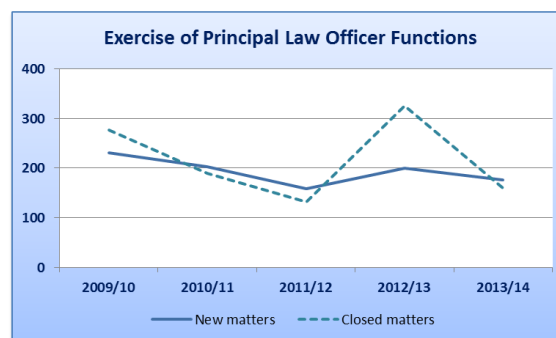
In addition to supporting the conduct of Crown prosecutions and appeals, Crown Law provides legal advice and other assistance to the Law Officers in the following areas:

- ensuring government actions are conducted according to the law
- representing the public interest
- managing the relationship of the executive government with the judiciary
- administering appointments of Queen's Counsel, and Judges to the higher courts
- acting on behalf of the Government in civil litigation
- informing the House whether any provision in a Bill introduced to the House is inconsistent with the Bill of Rights Act 1990
- supporting the supervision of charitable trusts
- managing vexatious litigant proceedings
- processing applications for the discharge of adoption orders
- considering requests for second coronial inquiries
- managing special patient reclassifications
- defending judicial reviews
- providing legal advice and representation in respect to alleged contempt of court and breach of name suppression.

We also provide 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 2012* set out particular legal matters that must be referred to the Solicitor-General. These include:

- representation or advice in relation to actual or imminent litigation to which the government or agency is or may become a party
- legal services involving questions of the lawfulness of the exercise of government power
- constitutional questions including Treaty of Waitangi issues
- legal issues relating to the protection of revenue.

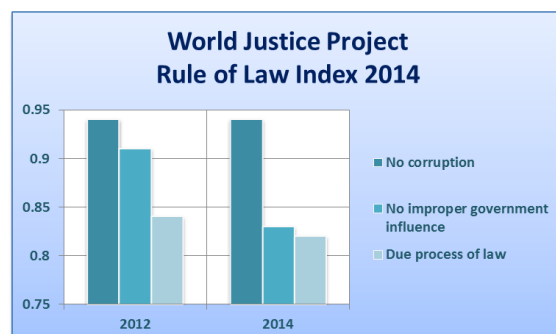
The following diagram shows the volumes of matters related to Principal Law Officer Functions:



### 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 this, we look at international indexes ranking New Zealand's standing in matters related to justice.

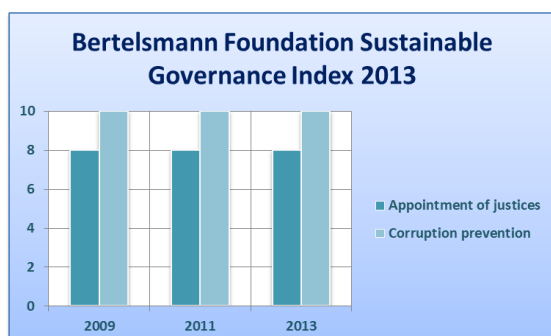
In international rankings for justice-related indexes New Zealand is very well regarded overall. The World Justice Project Rule of Law Index 2014 is based on a range of factors focused on the operation of democracy and the enforcement of freedoms and rights, security and justice. On almost all sub-factors of the index New Zealand scores higher than regional East Asia and Pacific neighbours and scores above average for countries of similar incomes. Globally, New Zealand is ranked 6/99 when all factors are considered. The following diagram shows our country results across key factors of the Rule of Law Index:



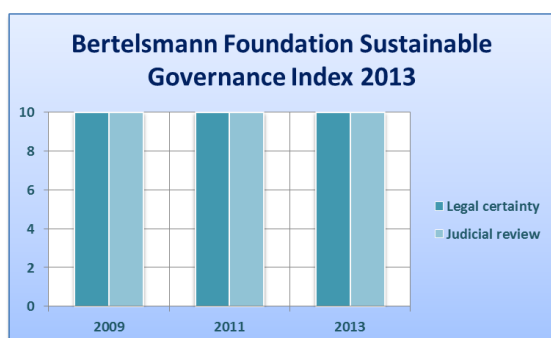
Crown Law's work contributed to the index results shown above. Although the index for 'no improper government influence' changed by -0.08 points there was no change in the high ranking for freedom from corruption.

The high ranking for freedom from corruption in the World Justice Project Rule of Law Index is similarly reflected in the Bertelsmann Sustainable Governance Index. *New Zealand is one of the least*

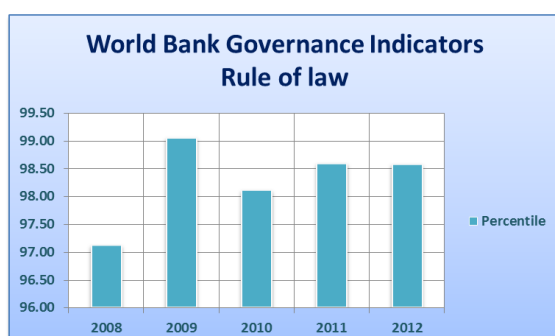
corrupt countries in the world.<sup>4</sup> The Bertelsmann index maximum score is 10, out of which New Zealand has returned a perfect score for corruption prevention in the past three reports as shown in the following diagram:



Crown Law also contributes to the *reduction of legal risks to the Crown through protecting the Crown's interests and ensuring any risks are well managed*. The reduction of risk is related to the following index measures, in which New Zealand has scored perfectly in the past three years.



The World Bank Governance Indicators continue to rank New Zealand well for rule of law, placing New Zealand above the 98<sup>th</sup> percentile in the latest survey (for 2012) of 215 countries.



*The Worldwide Governance Indicators project constructs aggregate indicators of six broad*

<sup>4</sup> Page 26 of the Sustainable Governance Indicators report for New Zealand, covering the period 11 May 2011 to 15 May 2013, [http://www.sgi-network.org/docs/2014/country/SGI2014\\_New\\_Zealand.pdf](http://www.sgi-network.org/docs/2014/country/SGI2014_New_Zealand.pdf).

*dimensions of governance. The six aggregate indicators are based on underlying data sources reporting the perceptions of governance of a large number of survey respondents and expert assessments worldwide.*<sup>5</sup> Likewise Transparency International's Corruption Perceptions Index places New Zealand first equal (out of 177) again in 2013, moving up one index point to 91 (out of maximum of 100).

While Crown Law makes an indirect contribution to these results, the contribution that is made through the constitutional duties of the Principal Law Officers, reducing risk to the Crown's interests, ensuring legal certainty and prosecuting serious crime helps New Zealand to achieve these results and supports the justice sector in making this a safe and just country.

### Significant and interesting legal and constitutional matters concluded

#### ***Alesco New Zealand Ltd v Commissioner of Inland Revenue***

The Supreme Court granted Alesco leave to appeal the Court of Appeal's decision that Alesco's optional convertible note arrangement was a tax avoidance arrangement. The grounds of appeal approved by the Supreme Court were whether (in light of the principles laid down by the Supreme Court in *Ben Nevis* and other cases on tax avoidance):

1. the structure used by Alesco for funding the transactions was a tax avoidance arrangement;
2. the Commissioner's application of shortfall penalties was a proper exercise of the relevant statutory powers; and
3. the Commissioner's reassessments were a proper exercise of the relevant statutory powers.

The parties reached settlement shortly before the appeal was due to be heard. The abandonment of Alesco's appeal on 14 February 2014 means the comprehensive win for the Commissioner in the Court of Appeal stands.

#### ***Sovereign Assurance Company Limited v Commissioner of Inland Revenue: SC 14/2014***

The case concerns the deductibility of significant sums incurred under reinsurance arrangements. The case found that even though a financing arrangement is bolted onto a mortality risk

<sup>5</sup> World Bank Governance Indicators 2013 Update, Aggregate Indicators of Governance 1996-2012 (dataset)

reinsurance arrangement the accrual rules apply. Under both the accrual rules and ordinary concepts the principal portion of the financing is not deductible.

The case is of particular significance in determining how the accrual rules interact with other parts of the Income Tax legislation.

***Terminals (NZ) Limited v Comptroller of Customs SC 6/2013***

The Supreme Court dismissed Terminals' appeal of the Court of Appeal's judgment allowing the Comptroller's appeal from the High Court's judgment on judicial review. The proceedings were directed at stopping the Comptroller from issuing assessments for excise duty on the basis that Terminals' blending of locally procured butane with imported petrol amounts to "manufacturing" for the purposes of the Customs and Excise Act 1996. The Court of Appeal accepted the blending process amounted to manufacturing and that the resulting blend should be taxed at the petrol rate on the full volume removed from Terminals' plant for home consumption. It dismissed Terminals' cross appeal that the Comptroller was nevertheless estopped from collecting the outstanding duty because of a substantive legitimate expectation. Subsequently a settlement was entered into between the parties.

***Jennings Roadfreight Ltd v Commissioner of Inland Revenue (CIR)***

The Supreme Court reserved its decision after the hearing of the appeal from the majority Court of Appeal decision (in favour of the Commissioner) on the issue of whether the credit balance in the company's bank account at liquidation was held in trust for the CIR in respect of unpaid employees' PAYE liabilities or should have been dealt with in accordance with the priorities under Schedule 7 of the Companies Act.

***Tax residence (including TRA 43/11)***

This is one of a number of cases relating to the test for determining a person's tax residence, and specifically, whether a person has a permanent place of abode in New Zealand so he or she is regarded as being resident and therefore liable to NZ income tax. It is related to a person who left the country to undertake security work for an overseas company for which he received income paid into a US bank account. The Commissioner's position is the person did have a permanent place of abode in New Zealand, and is liable to tax on that income, because (i) the taxpayer has a rental

property in New Zealand that, on the facts, was available to him as a dwelling over the relevant period; and (ii) there were significant personal and business connections with New Zealand to support the conclusion it was a permanent place of abode. The Taxation Review Authority agreed with the Commissioner. That decision has been appealed to the High Court, which is yet to deliver its decision.

***Solicitor-General v Siemer***

From 2003 Vincent Ross Siemer conducted a campaign of litigation, almost entirely derived from a dispute that arose in 2000 between himself and a receiver who was appointed to a company that he and his wife had made an investment in. The campaign claims against other lawyers, the Solicitor-General and Attorney-General, Judges who sat on the cases that he brought and the Judicial Conduct Commissioner to whom he had made frequent complaints. The Attorney-General applied to the High Court for an order under section 88B of the Judicature Act 1908 that would preclude Mr Siemer from bringing any further proceedings without the leave of the High Court. On 30 April 2014 the High Court issued a judgment granting the application for an order but limiting its effect to certain classes of defendants. Mr Siemer has appealed against the order to the Court of Appeal and the Attorney-General has cross-appealed against the limitations that were put on the order.

***New Health New Zealand Inc. v South Taranaki District Council (Attorney-General as Intervener)***

New Health New Zealand Inc. is an incorporated society having a specific interest in public health issues, and fundamental objection to the fluoridation of public drinking water. Following a public consultation process, the South Taranaki District Council resolved to fluoridate the drinking water that was supplied to Patea and Waverley. New Health brought judicial review proceedings alleging that the Local Government Act did not confer a power to fluoridate water and to do so caused a breach of section 11 of the New Zealand Bill of Rights Act 1990, which guarantees the right not to be subjected to compulsory medical treatment. The Attorney-General was given leave to intervene in the case, on the Bill of Rights Act issue. The High Court dismissed the judicial review application holding that the Local Government Act 2002 did confer the power to add fluoride to drinking water, and it did not constitute medical treatment for the purpose of section 11 of the

New Zealand Bill of Rights Act 1990. New Health has filed an appeal against the decision.

## Reduced legal risks to the Crown, through protecting the Crown's interests and ensuring any risks are well managed

Links to Appropriation:

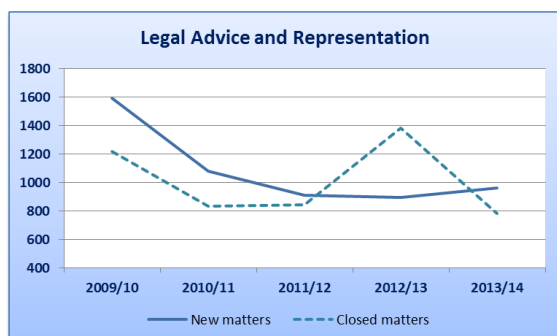
**Legal Advice and Representation**

As chief legal advisors to the Government and chief advocate for the Government in the courts, the Principal Law Officers ensure the Government is not prevented through legal process from lawfully implementing its chosen policies and discharging its governmental responsibilities.

The work undertaken by Crown Law in supporting the Law Officers and providing legal advice and representation ensures the Crown's legal risks are managed and its interests protected.

Crown Law is responsible for advising and providing representation on services related to the Crown infrastructure, its commercial interests, the regulation of those interests, and the protection of revenue.

The following diagram shows volumes of legal advice and representation across years:



We take a 'one Crown' approach to protect the Crown's legal interests. In looking after the Crown's legal interests we must look beyond the interests of a specific department, even when that department is the client initiating the work. This approach in particular provides assurance to the Attorney-General and Solicitor-General that the Crown's legal risk is being identified early and well managed.

### Government Legal Network (GLN)

As part of our role in promoting a 'one Crown' approach to the management of legal risk, we

actively support and participate in the GLN. The Solicitor-General is the 'legal professional' leader, and is supported in this role by a Board, the Director and the network of government lawyers. The network, formed in 2011 and linking more than 800 lawyers across all government departments, is an initiative designed to strengthen the quality and delivery of legal advice and services to core government agencies, resulting in more effective management of the Crown's legal risk and enabling effective delivery of the Government's programme of work.

The objectives of the network are to identify and manage cross-Crown legal risk, support the community of government lawyers, create opportunities for better networking, better enable sharing of services, information and resources, assist the professional development of government lawyers, and promote the government lawyer as a career choice.

The GLN initiatives for the 2013/14 year included:

- Development of a sector wide legal risk monitoring and reporting framework including a current state assessment of legal capability and capacity
- Establishment of legal practice groups to support professional development
- A 'Lessons Learned' series of seminars based on examples where things didn't go according to plan
- Design and delivery of topical legal seminars relevant to the government sector
- Design and implementation of an introductory course for lawyers newly recruited into government legal jobs to ensure a full understanding of the elements and responsibilities of a public service legal role
- Ongoing development of GLN Online (currently with 600+ registered users) – being the online shared workspace for government lawyers, which includes:
  - A government lawyers directory and professional profiles of individual lawyers
  - Notification of government legal vacancies and secondment opportunities across the sector
  - Shared online legal research resources
  - Legal precedents for commonly used contracts and agreements

- Legal training materials for delivery of in-house seminars to the business highlighting areas of legal risk and strategies for management of same
- More robust measurement of legal function performance and practices based on revised BASS<sup>6</sup> measures which highlight the importance of legal risk prevention, reporting and escalation
- Investigation of alternatives for enabling greater flexibility and efficiency in the allocation of legal resources where needed across the sector including cross-departmental legal teams – this has led to the establishment of a Legal Deployment Roster to be activated in emergency or crisis situations
- Further investigation and assessment of the viability of shared services initiatives
- Development (with the State Services Commission) of sector wide strategies for legal career path and talent management.

GLN operated within the 2013/14 year budget of \$760,000. The GLN is endorsed by Cabinet and is funded to 30 June 2016. Qualitative and financial benefits will be assessed with a view to presenting a business case to Cabinet by 30 June 2015 establishing the basis for permanent funding from 1 July 2016.

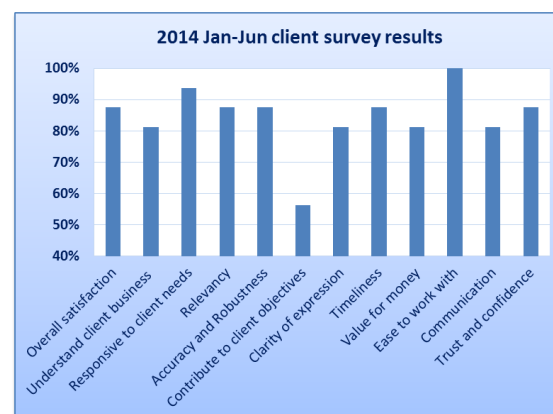
### Client feedback

In the provision of legal advice and representation, we receive feedback from our clients so that we can identify any opportunities for improving the value of our services. We also conduct a client survey at six-monthly intervals. The survey is reviewed by our Management Board and legal teams, who use the survey to identify areas where we can work with our clients to strengthen our service to them. Key results of the July 2014 survey are shown below:<sup>7</sup>

- Overall satisfaction 88%
- Crown Law's responsiveness, relevancy, accuracy, and clarity of advice 88%
- Crown Law's timeliness in responding to requests 88%
- Total percentage of responses received rated as either good or excellent 84%

- Service clients receive from Crown Law represents value for money 81%
- Meaningful and up-to-date communications about work in progress 81%.

Client feedback identified areas we can work on to strengthen the quality of our service. The survey also showed that we are very easy to work with as reflected in the following diagram which shows the specific components of the survey.



For 'Contribute to client objectives', where the result was lower than other areas, client feedback suggested that while we provide the legal advice needed, there may be scope to more actively integrate the legal advice with client business objectives.

We will continue to strengthen our client relationships. Our strategic objectives focus on being proactive, efficient, practical, relevant, solutions focused, on budget and on time. We will ensure clients' objectives are understood, their business needs are met and that the work done for them is of a high standard. The recent changes implemented by our organisation mean our clients are going to see a well-connected Crown Law, and be served by the lawyers best placed to effectively and efficiently provide the services they need.

### Significant and interesting legal advice and representation matters concluded

#### ***The Cancer Society of New Zealand Incorporated & others v The Ministry of Health & other***

This case was a judicial review, brought by the Cancer Society and others, of the way in which Ministry of Health inspectors, employed by Auckland Regional Public Health Service, assessed whether an area is an "internal area" (where smoking is prohibited) or an "open area" (where smoking is allowed) under the Smoke-free Environments Act 1990, with particular reference to the applicants' complaint about the "smoking

<sup>6</sup> Benchmarking Administrative and Support Services [www.treasury.govt.nz/statesector/performance/bass](http://www.treasury.govt.nz/statesector/performance/bass)

<sup>7</sup> Results are percentages of responses that are 'excellent' or 'good'

lounge” at the SkyCity Casino. The case turned on the meaning of “substantially enclosed” and how that was dealt with in guidelines produced for the inspectors to use when evaluating premises for compliance. The High Court found for the applicants, holding that because the guidelines introduced air quality as a factor to be considered in determining whether an area is substantially enclosed the Ministry inspectors, using those guidelines, had gone beyond the definitions in the Act.

Hansen J ordered relief which included the Ministry and Auckland Regional Public Health Service reconsidering the applicants’ complaint in accordance with the provisions of Act.

***Chief Executive, Department of Corrections & another v All Means All***

All Means All was a prisoner at Christchurch Men’s Prison serving a four month sentence of imprisonment for threatening to kill the Prime Minister. On reception into prison he commenced a hunger strike, refusing all food and water in protest over alleged wrongdoing by a police officer involved in his criminal proceedings. During his hunger strike All Means All’s health seriously declined. On application from the Department of Corrections and Canterbury DHB the High Court made orders that the Department and the DHB would have lawful excuse not to provide treatment or intervene in any way in the hunger strike of All Means All. The High Court declined to make the alternative order sought by the Department to permit it to artificially hydrate All Means All if his life was seriously threatened. In declining to make that order, the High Court held “reluctantly” such an order would be an unjustified limit on the right to refuse medical treatment under section 11, New Zealand Bill of Rights Act 1990. The consequence was that All Means All was legally permitted to continue his hunger strike until his death, even if in state custody at the time. This issue had never before been considered by a New Zealand Court. Subsequently however, All Means All’s hunger strike ceased following a referral by the Police of his complaints to the Independent Police Conduct Authority.

***Minister of Immigration v Jooste***

The Minister was granted leave to appeal from the Court of Appeal, after the High Court refused leave, on a question of law a decision of the Immigration and Protection Tribunal finding that there were exceptional circumstances of a humanitarian nature that would make it unjust or

unduly harsh to deport Mr Jooste, a resident convicted of serious criminal offences involving fraud. This is the first substantive Crown appeal of a decision of the Tribunal under the Immigration Act 2009. It is important because in its decision the Tribunal has, the Minister argues, set a lower threshold for deportation of criminal offenders holding residence visas to establish “exceptional circumstances” than section 207 of the Immigration Act 2009 contemplates. Section 207 is substantially similar to the former section 47 of the Immigration Act 1987, which established a very narrow exception for overstayers seeking to avoid removal from New Zealand. The Minister argues that residents are to be held to the same high threshold as section 47 previously imposed. The decision of the High Court is reserved.

***Singh v Chief Executive, Ministry of Business, Innovation and Employment***

Mr Singh sought judicial review of the investigative steps taken by Immigration New Zealand (INZ) necessary to allow the Minister of Immigration to make a determination under section 158, Immigration Act 2009 as to whether Mr Singh’s residence class visa had been procured through concealment of relevant information. Mr Singh was granted residence under the partnership category based on his marriage to a New Zealand resident. Evidence later emerged suggesting at the time residence was granted Mr Singh and his wife had been separated. Mr Singh was provided the opportunity to comment on the allegations. Before the investigation was complete, Mr Singh applied for judicial review. The proceeding was struck out by the High Court on a preliminary point of law as to whether the steps taken by INZ in its investigation were amenable to review, prior to any decision by the Minister. The High Court decision was upheld on appeal to the Court of Appeal. The Court of Appeal’s decision sets out general principles on the reviewability of the investigative process prior to the exercise of statutory power, noting that such a situation will likely be exceptional, depend on the nature of the power being exercised, the stage reached in the decision-making process and the availability of appeal and review of the ultimate decision.

***Mitchell v Chief Executive, Department of Corrections***

Ms Mitchell, a prisoner, sought judicial review of the Department’s national television rental scheme which commenced at selected prison sites in November 2013. The rental scheme enables all prisoners in all Corrections-run prisons to access a



custom designed and secure flat screen television, with a transparent casing and no capability for internet or USB access. The fee is \$2 per week (or \$1 per week for prisoners in double cells), subject to applications for exemptions based on financial hardship. The televisions have been introduced to eradicate the introduction and storage of contraband items in prisoners' personal televisions and to ensure that all prisoners (including youths, remand and short term sentenced prisoners) can access a secure television in their cell. Ms Mitchell alleged the policy was unlawful, unreasonable and unfair in its application to her given she is a prisoner previously permitted to keep her own personal television in her cell. The High Court upheld the policy, holding that it had positive benefits for the wider prison population particularly vulnerable youth and remand prisoners. The High Court held the policy was lawfully implemented under the Corrections Act and new prison property rules. The lawfulness of its specific application to Ms Mitchell depended on the outcome of any application she made for an exemption to the rental fee and it was premature to consider that issue at the present time.

#### ***Osborne v Auckland Council***

The Osbornes appealed against a decision of the Chair of the Weathertight Homes Tribunal that their claim was not an eligible claim for the purposes of the Weathertight Homes Resolution Services Act 2006 because the property to which

their claim related had been built more than 10 years before their claim was brought. Under section 14(a) of the Weathertight Homes Resolution Services Act 2006 a claimant who brings a claim in relation to a leaky building is to do so within 10 years of the date on which the building was "built". Prior to the Supreme Court's decision in this proceeding "built" had been interpreted by the High Court and Court of Appeal to be a reference to the point at which the physical construction of a building was completed. The Supreme Court rejected this interpretation, holding that "built" should be interpreted as a reference to "building work" under the Building Act 2004. The effect of this decision is that the ten year time limit on claims under the Weathertight Homes Resolution Services Act 2006 is now calculated from the point at which the last "building work" was carried out in relation to the building (often the issuance of a Code Compliance Certificate) rather than the point at which physical construction was completed. The Court also considered its jurisdiction to issue a judgment following a conditional settlement between the parties after the hearing but before the judgment.

# Our quality of legal advice and services

## Holistic approach to quality

Crown Law strives to maintain the highest possible levels of legal advice and services. Our quality mark is our reputation. The quality of legal advice and services provided by Crown Law and the Crown Solicitor Network is founded on formal guidance, regulations and systems. Complementing the more formal mechanisms are everyday practices that invite the sharing of experience and development challenges for Crown Counsel of all levels of experience. Crown Law is fortunate to attract some of the best legal practitioners, who share their skills. The quality of these professionals is highlighted by those who are appointed to the bench (that is, they become a judge) and, recently, appointments as the Inspector-General of Intelligence and Security and the Deputy Inspector-General of Intelligence and Security.

The achievement of high performance does not happen by chance. To achieve the quality we strive for high performance is central to the culture of the organisation. What we do is aligned with our vision, to be the Crown's trusted legal advisor and for our clients to value our services. We have the right people with the right technical skills. We relocated to new accommodation on 1 July 2013, closer to our justice sector colleagues. In our new environment we have implemented secure mobile ICT to enable our staff to provide services to clients where and when they need us. Quality for us extends to the strength of our relationships with clients. We are never complacent about this, and value the great and constructive feedback we get from clients.

In the pursuit of excellence we maintain standards that conform to external requirements regarding compliance, integrity and accountability. While there is a level of security around the work we do we still need to demonstrate how we can be confident in the quality of our legal advice and services. To do this we need credible mechanisms that either confirm quality or logically lead to the provision of high quality.

## Drivers of quality

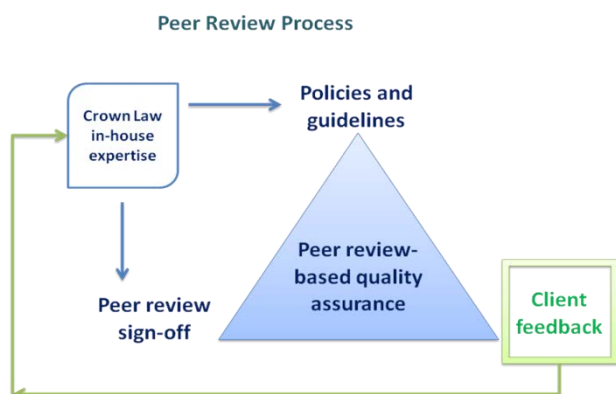
Our legal staff are required to maintain continuous professional development, and they receive feedback from within Crown Law about opportunities to improve. The rules for

continuous professional development (CPD) are set out by the New Zealand Law Society. CPD must be purposeful and structured, allow for interaction and be verifiable. In addition to external CPD opportunities Crown Law provides in-house opportunities for continuous professional development and education on various topics. These include the Crown Law Seminar Series run by the Education Group to provide continuing legal education within the Office and the Crown Law Practice seminar series and workshops.

Crown Law's Professional Standards Committee keeps our practice under review, ensuring policies and guidelines are up to date so that staff can be assured they are implementing best practice. Advice provided to clients is provided on behalf of the Solicitor-General. All advice, whether it is written or oral and if written (whether it is provided by way of formal advice or in email) must be provided within the framework of principles set out in Crown Law's policies and guidelines. An example of this is our litigation management planning process, the principles of which focus on being proactive, effective and efficient while strengthening relationships with our clients and stakeholders. Our policy on the provision of timely, relevant and robust advice includes our peer review process.

The peer review process involves staff with expertise in the relevant legal areas working together to reach professional consensus. All substantive Crown Law advice must be peer reviewed. The law can be very technical and complex and Crown Law must also have regard for where laws of today are going and how they might be interpreted in the future. If consensus is difficult to reach, the questions may be escalated to the Deputy Solicitors-General and the Solicitor-General. Our peer review process includes a documented sign-off as evidence that our quality assurance system is operational.

Not all substantive advice will be able to be peer reviewed through the normal process as some advice will be delivered under urgency. Under these conditions we make clear the status of the advice having been delivered urgently. Otherwise if the situation permits we will seek agreement to finalise the advice in due course at which time it can be peer reviewed. The following diagrams summarise the processes for providing high quality legal advice and services.



For the peer review process, as with management of litigation, client feedback provides cues about performance and quality. Receiving constructive critical feedback is expected.



## Confidence in quality

Client feedback is very useful in verifying the quality of the legal advice and services we provide. This is because our clients are more often than not government lawyers, and therefore the feedback comes from technically knowledgeable professionals. While feedback is regularly volunteered, we invite clients on a six-monthly basis to provide valuable feedback through our survey. The survey offers an opportunity to rate important factors of service and to provide comments on each of these. Open-ended questions also invite comments about what we did well and what we can do to improve our legal advice and services. The results of the latest survey are set out above in this report (Our Outputs - see under Legal Advice and Representation), and are for the period January to June 2014.

## Crown Solicitor Network

### Background

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

warrant. The CSN is funded through the Conduct of Crown Prosecutions appropriation. Oversight and supervision of the CSN is through the Public Prosecutions Unit (PPU) established in 2012 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 has been on managing Crown Solicitor funding within the appropriation. The PPU is now focusing on the longer term goal of providing the Solicitor-General with greater oversight of all public prosecutions (which includes prosecutions commenced by Departments and Crown entities with a prosecution function). A significant aspect of that work is improving the methodology for reviewing the performance of Crown Solicitors.

The 2011 review (refer to diagram below) concluded there was a need for greater oversight of public prosecution services and transparency of the costs of those services. The 2012 review focused on giving effect to the Solicitor-General's role in the conduct and oversight of public prosecutions. Once in place the PPU's initial priorities were to manage Crown Solicitor funding within the 2012/13 budget, and to design and implement a long term funding model to manage Crown Solicitor funding within baseline from 2013/14 onwards.

A timeline of key dates related to the establishment and ongoing work of the PPU with respect to Crown Solicitors follows:

<b>2011</b> Review of Public Prosecution Services
<b>2012</b> Review of the Role and Functions of the Solicitor-General and the Crown Law Office
<b>2012 November</b> Public Prosecutions Unit established
<b>2013 July 1</b> new Terms of Office for Crown Solicitors take effect, including: <ul style="list-style-type: none"> <li>➔ new funding model and</li> <li>➔ reporting requirements</li> </ul>
<b>2013-2014</b> First three survey-based reviews, interview-based review, and annual questionnaire conducted.

## Standards of service

The Crown Solicitors Regulations 1994 were repealed from 1 July 2013 and replaced with new Terms of Office, drafted by Crown Law, setting out the Solicitor-General's expectations of Crown Solicitors as well as the new funding arrangements. The Terms of Office 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 from time to time.

This includes, for example, the Solicitor-General's Prosecution Guidelines. The guidelines are intended to ensure the principles and practices regarding prosecutions in New Zealand are underpinned by core prosecution values. 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.

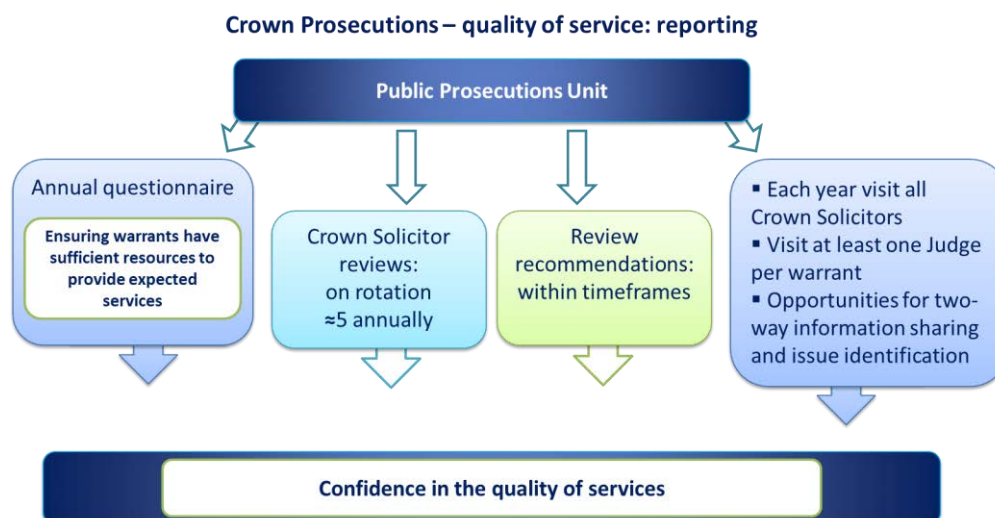
## Reporting – quality

In 2013/14 the PPU focused on the new reporting framework for Crown Solicitors. The Terms of

Office for Crown Solicitors include periodic reviews to ensure high standards are achieved and maintained. 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.

The new reporting framework is providing information about Crown Solicitor workloads, and also lends itself to gauging the value for money provided by the network.

In addition to the amount of work being handled by the CSN we need to have confidence in the quality of the services being provided. In the first instance there are professional standards that apply to all lawyers. For Crown Solicitors there are also the Terms of Office, the Solicitor-General's Prosecution Guidelines, and other relevant guidance related to the conduct of Crown Prosecutions. Again, because of the complexity of the services provided, a holistic approach to quality is used to gauge the status of service provided. By virtue of the professional requirements of the services provided, there are a range of factors from different sources at different levels of scrutiny that can be used to gauge quality. This is shown in the following diagram.



Assessing the quality of complex technical services requires the judgement of professionals who take into account 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, in having implemented the new reporting framework, is using a tiered system.

At the very highest level of the system is environmental feedback. Crown Solicitors conduct prosecutions in public within the framework of the justice system and as officers of the court. Within this environment professionals and interested parties may provide feedback as to the performance of Crown Solicitors. Ensuring the validity of comments requires a certain amount of triangulation. As such, Crown Law and in particular the PPU talks to members of the judiciary and prosecuting agencies to gain insight into how other professionals and interested parties view the performance of Crown Solicitors. In addition to this, from time to time feedback is received about the performance of Crown Solicitors with regard to interactions with victims in cases. While the PPU welcomes this type of unsolicited environmental feedback at any time, Crown Law representatives also visit every Crown Solicitor, and at least one Judge in their warrant, at least once a year to actively seek such feedback and discuss current issues. This enables feedback to be passed to, and discussed with, Crown Solicitors immediately.

At the next level, Crown Solicitors complete an Annual Questionnaire in which they provide, among other things, information about the resources being applied to support the warrant. This ensures firms supporting Crown Solicitors have the resources necessary to service the warrant. Having and using the necessary resources is a cornerstone of being able to provide prosecution services that are of the standards expected by the Solicitor-General. This information also allows the PPU to compare different structures and identify opportunities for efficiencies within the CSN.

The final level involves reviews of individual Crown Solicitors. There are two types of review. The first is a survey-based review, in which key stakeholders provide high level feedback on a range of topics to Crown Law. This type of review

is designed to confirm there are no areas of serious concern and to reveal any issues for further investigation. The second type of review is interview-based. These reviews are resource intensive, and may be guided by the environmental feedback and survey-based reviews. The purpose of this in-depth review is to support the Crown Solicitor in identifying areas for improvement and development. Using a combination of these two types of reviews, Crown Law aims to review every Crown Solicitor at least once every three to four years. Prior to the establishment of the PPU, Crown Law's resources permitted only one review to be conducted per year, ie a 16 year rotation, so this is a significant step forward.

### **High-level statement on quality of the Crown Solicitor Network (CSN)**

The high-level statement is based on an approach that involves identifying areas of increased risk, accountability and potential for improvement. The identification of these may be from direct information about emerging and actual issues that are then verified. Otherwise the network status can be inferred from the absence of risks and issues.

This approach, as opposed to using specific direct measures of quality, is used as there are a host of environmental variables that we cannot control. These include the integrated impact introduced by, for example, types of cases, the quantity and quality of evidence available, witnesses, juries, 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 take into account a range of factors that must be viewed together to give a reasonable overarching picture of the CSN. The sources of this information include an annual questionnaire, surveys of stakeholders and discussions with judges. The factors which are important to service performance are in addition to considering the expectations and standards applicable to Crown Solicitors. These 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.

### Statement

The following high-level statements are a scale allowing us to describe how, with regard for the information above, we view the overall quality of

the CSN. For 2013/14, we have determined that the second statement applies to the overall quality of the CSN.

#### SCALE: High-level statements on the quality of the Crown Solicitor Network

<i>No serious issues identified</i>	Network quality overview:	
<p>Our current view is the network as a whole is operating sustainably<sup>8</sup> 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.<sup>9</sup></p>		
<i>No serious issues identified; areas for improvement verified</i> <b>THIS STATEMENT APPLIES TO 2013/14</b>	Network quality overview:	
<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. Areas needing improvement were identified, verified, and are being managed appropriately.</p>		
<i>Serious isolated issues identified</i>	Network quality overview:	
<p>Our current view is the network as a whole is operating sustainably. While 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, serious isolated issues were identified, verified, and are being managed appropriately.</p>		
<i>Serious issues affecting the wider network identified</i>	Network quality overview:	
<p>Serious issues that are impacting or potentially could impact the sustainability or service performance of the network were identified, verified, and are being treated appropriately. Actions are being taken to reduce the possible impact of serious risks that have emerged or become known.</p>		

<sup>8</sup> 'Sustainably' means applying appropriate resources and doing so within the bulk funding model.

<sup>9</sup> '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).

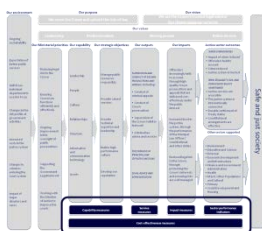
# Our value for money

## Strategic objectives



## Achieving value – our responsibility

### 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.

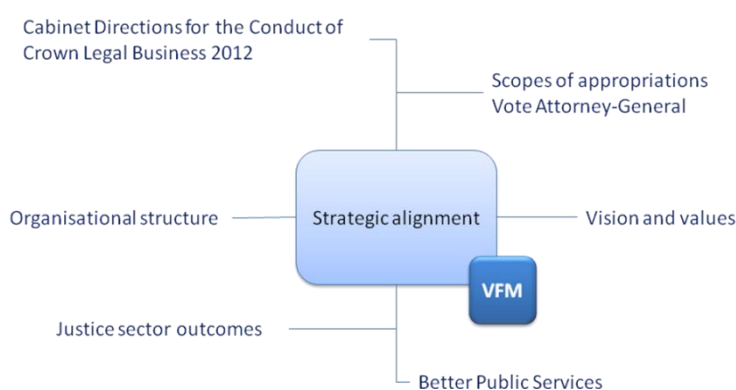
This is a comprehensive view and to demonstrate Crown Law's value for money we have described in this report what we did, alignment with priorities, whether it made a difference, the quality, the cost, insights into our organisation's structure and function, our ability to manage risk, and how prepared we are for the future. 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 value for money

### Strategic alignment

Crown Law's purpose is to serve the Crown and uphold the rule of law and our vision is that we are the Crown's trusted legal advisor and our clients value our services. We are achieving this within the bounds of the *Cabinet Directions for the Conduct for Crown Legal Business 2012*. In addition, as described previously, our work is aligned with the scopes of the appropriations. We participated in three external reviews in 2011/12: the *Performance Improvement Framework Formal Review of the Crown Law Office*, the *Review of Public Prosecution Services* and *A Review of the Role and Functions of the Solicitor-General and the Crown Law Office*. The *Performance Improvement Framework Follow Up Review of the Crown Law Office* was undertaken in 2012/13. Crown Law reviewed what constitutes its core work and what the organisation's work programme should look like in the future to ensure the organisation's

funds and resources are put to best use. Crown Law also reviewed its strategy, corporate and legal functions to align with core Crown legal work, and to ensure the organisation is structured in the most efficient way and delivering the best value and service to its clients. Our organisation then assumed a new structure in 2013/14, improving its position to support the Government's priorities, justice sector outcomes and Better Public Services. The following diagram is a high-level view of strategic factors contributing to strengthened 'value for money', signified here by the 'VFM' tag attached to the alignment of these factors:



### Our risk management

Crown Law is 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. This is important for retaining and strengthening the trust New Zealanders have in the justice system, the rule of law and in government. We must also be flexible if we are to continue to respond to unanticipated events and matters, including natural disasters.

We recognise that effective management of our risks is a critical success factor for contributing to the collective impact sought by the Government. Our strategic risks relate to successfully embedding the substantial change programme that has been implemented. Throughout 2013/14 we have ensured that focus and momentum is maintained, and that we will be able to adapt to changes in our external environment in the foreseeable future. We continued to enhance our risk management in 2013/14. In 2014/15 a Risk and Assurance Committee will operate, which will include independent members to advise the Solicitor-General on governance, risk

management, internal controls, financial and other external reporting.

### Our technology and information management

Crown Law's information and communications technology (ICT) goal, and responsibility as a government agency, is to provide ICT services that enable and underpin Crown Law's strategic direction. We are also working to align our ICT with the wider New Zealand Government ICT Strategy and Action Plan for All-of-Government (AoG) initiatives, taking advantage of the appropriate AoG Services for Crown Law. From time to time we will review and assess contract management systems and arrangements.

Having introduced innovative technologies and tools across 2012 and 2013, Crown Law has continued enabling its workforce to fulfil their roles more flexibly, without restrictions of physical location or reliance on carrying around vast volumes of printed documents.

Following the ICT transformation programme that was delivered for our relocation to new premises in 2013, our focus shifted to making sure we are able to make ongoing best use of the technology changes and maximise value for money from our ICT investments. This includes working closely with users and providing the appropriate training and support to ensure they understand how to get the most from their ICT.

Over the next four years our ICT focus will continue to be on four strategic priorities: Mobile, Secure, Digital and Stable. A Business Improvement Programme was established to provide a framework for the delivery of these priorities. Phase 1 projects in 2013/14 included security remediation, business process mapping, desktop as a service and secure file sharing.

Our intention is for Phase 2 to commence in late 2014/15, shifting our focus to system reviews, upgrades and enhancements and to explore opportunities for enterprise solutions. The initial brief for phase 2 has been identified through consultation with the business and will be refined through working with relevant system and process owners. These priorities will continue to drive value and best use of our ICT while aligning Crown Law ICT to 'Destination 2017' (the Government ICT Strategy and Action Plan) and will support how we integrate and contribute to the justice sector's strategic direction.



### *DaaS (Desktop as a Service)*

DaaS is a Government-wide IT initiative intended to lower the cost of providing and managing desktop computing services for the majority of staff in participating departments. DaaS is also intended to run securely on a wide range of client devices, from traditional desktop computers to highly portable devices such as iPads, thereby providing a desktop solution that is available to a user on any device suitable for the purpose. Access to office services and data is markedly improved by the mobility such capability offers.

The Department of Internal Affairs led a rigorous tendering process to establish a panel of suppliers able to offer DaaS as an All-of-Government contract service. Crown Law was directly involved in this process, participating in the technical analysis of tenders and in the financial and contractual negotiations.

A pilot of DaaS has been running in Crown Law since September/October 2013, providing a sample desktop service on iPads and on thin client devices in the Project Rooms and Quiet Rooms.

### **Future-proofing for sustainability**

Crown Law is committed to living within its baseline and has put considerable effort in to better understanding our cost pressures and identifying options for how these pressures may be addressed. To address our cost pressures a number of initiatives have been implemented and Crown Law will monitor the benefits of embedding these from 2014 onwards, to ensure that Crown Law has optimal resources and is organised in the most appropriate way for the future. A particular area where Crown Law is continuing to strengthen its capability is its financial management, data collection, forecasting and business analysis in relation to Crown Solicitor services. This was one of the key factors in the organisation's review of its strategy, corporate and legal functions. 2013/14 was a year of significant change for Crown Law as it co-located in the Justice Centre with the Ministry of Justice. The benefits of this have been outlined in the 2013 Crown Office Estate Report, tracking government's progress on reducing its footprint and costs.

*"...A strategic view to accommodation needs was adopted, and the result is a modern office that enables easy staff collaboration, the use of mobile and smart technologies, substantial cost-savings of circa \$400,000 per annum on delivery of the Government's Benchmarking Administrative and Support Services (BASS) targets.*

*...Aside from supporting delivery of the organisation's core legal services, Crown Law's new premises also advance sector partnerships. The Ministry of Justice holds the primary lease on the Justice Centre, with Crown Law subleasing its new office. Working in close proximity allows for easy collaboration and the organisations share an atrium space in addition to their main reception areas and shared facilities services. Parliament and the courts are also close at hand."*

**Report on the Crown Office Estate – As at June 2013**

Ministry of Social Development

### **People and capability**

To achieve our vision of being the Government's trusted advisors, we need to be passionate about what we do and our employees need to be engaged in the organisation. Crown Law has in recent years had strong staff engagement. The continuity of high levels of staff engagement is a priority for the Management Board. Regarding recruitment, retention and staff development the Deputy Chief Executive's work programme for 2014/15 includes the continued implementation of our organisational development strategy to ensure Crown Law has the capacity and the right mix of skills to continue delivering on its purpose. Crown Law's structure, introduced in 2013, will allow our senior lawyers to assume roles best suited to their core skills, while also allowing junior counsel to take on greater responsibilities. Clarity around what we do and the quality of our work is supported by the ongoing reaffirmation of Crown Law values which were developed with staff in 2013.

As a public sector employer, we will continue to provide equal employment opportunities in line with current government requirements.

# Forecast Financial Statements

Forecast financial statements are not audited. The financial statements for 2013/14 are audited. For more detail on Crown Law's budgeted expenditure and revenue see the Estimates of Appropriations for Vote Attorney-General.

## Forecast Statement of Comprehensive Income

For the year ended 30 June 2015

	Main Estimates \$000
<b>Income</b>	
Crown	41,879
Other revenue	22,415
<b>Total income</b>	<b>64,294</b>
<b>Expenditure</b>	
Personnel costs	18,360
Depreciation and amortisation expense	941
Capital charge	165
Crown Solicitors' fees	33,392
Other operating expenses	11,436
<b>Total expenditure</b>	<b>64,294</b>
Net operating surplus/(deficit)	-
<b>Total comprehensive income</b>	<b>-</b>

## Forecast Statement of Financial Position

As at 30 June 2015

	Main Estimates \$000
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	4,328
Prepayments	350
Debtors and other receivables	3,800
<b>Total current assets</b>	<b>8,478</b>
<b>Non-current assets</b>	
Property, plant and equipment	2,674
Intangible assets	130
<b>Total non-current assets</b>	<b>2,804</b>
<b>Total assets</b>	<b>11,282</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Creditors and other payables	4,015
Employee entitlements	1,500
Provisions	-
Return of operating surplus	-
<b>Total current liabilities</b>	<b>5,515</b>
<b>Non-current liabilities</b>	
Employee entitlements	200
<b>Total non-current liabilities</b>	<b>200</b>
<b>Total liabilities</b>	<b>5,715</b>
<b>Equity</b>	
Taxpayers' funds	1,767
Memorandum accounts	3,504
Revaluation reserve	296
<b>Total equity</b>	<b>5,567</b>

**Forecast Statement of Changes in Equity**

For the year ended 30 June 2015

	Main Estimates \$000
<b>Balance at 1 July</b>	5,567
Surplus/(deficit) for the year	-
Capital injections	-
Movements in revaluation reserve	-
Return of operating surplus to the Crown	-
<b>Movements for the year</b>	-
<b>Balance at 30 June</b>	<b>5,567</b>

**Forecast Statement of Cash Flows**

For the year ended 30 June 2015

	Main Estimates \$000
<b>Cash flows from operating activities</b>	
<b>Cash was provided from:</b>	
Receipts from Crown	41,879
Receipts from clients	22,415
	64,294
<b>Cash was applied to:</b>	
Payments to employees	18,319
Payments to suppliers	43,782
Net Goods and Services Tax paid	1,087
Payment for capital charge	165
	63,353
<b>Net cash outflow from operating activities</b>	<b>941</b>
<b>Cash flows from investing activities</b>	
<b>Cash was provided from:</b>	
Sale of property, plant and equipment	-
<b>Cash was disbursed for:</b>	
Purchase of property, plant and equipment	240
Purchase of intangible assets	140
	380
<b>Net cash outflow from investing activities</b>	<b>(380)</b>
<b>Cash flows from financing activities</b>	
<b>Cash was provided from:</b>	
Capital injection	-
<b>Cash was disbursed for:</b>	
Repayment of operating surplus	-
<b>Net cash outflow from financing activities</b>	<b>-</b>
<b>Net (decrease)/increase in cash</b>	<b>561</b>
Cash at the beginning of the year	3,767
<b>Cash at the end of the year</b>	<b>4,328</b>

# Statement of Responsibility

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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 Statement of Service Performance, and the judgements made 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, these Financial Statements and Statement of Service Performance fairly reflect the financial position and operations of Crown Law as at 30 June 2014 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 and operations of the department for the financial year to which the forecast financial statements relate.

Signed:




Michael Heron QC

**Solicitor-General and Chief Executive**

30 September 2014

Countersigned:



Maria Manaton

**Chief Financial Officer**

30 September 2014

# Independent Auditor's Report

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report

### To the readers of the Crown Law Office's financial statements and non-financial performance information for the year ended 30 June 2014

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 of the financial statements and the non-financial performance information of the Department on her behalf.

We have audited:

- the financial statements of the Department on pages 48 to 75, that comprise the statement of financial position, statement of commitments, statement of departmental contingent liabilities and contingent assets as at 30 June 2014, the statement of comprehensive income, statement of changes in equity, statement of departmental expenses and capital expenditure against appropriations, statement of departmental unappropriated expenditure and capital expenditure 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; and
- the non-financial performance information of the Department that comprises the report about outcomes on pages 6 to 21 and the statement of service performance on pages 31 to 47.

#### Opinion

In our opinion:

- the financial statements of the Department on pages 48 to 75:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect the Department's:
    - financial position as at 30 June 2014;
    - financial performance and cash flows for the year ended on that date;
    - expenses and capital expenditure incurred against each appropriation administered by the Department and each class of outputs included in each output expense appropriation for the year ended 30 June 2014; and
    - unappropriated expenses and capital expenditure for the year ended 30 June 2014; and
- the non-financial performance information of the Department on pages 6 to 21 and 31 to 47:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the Department's service performance and outcomes for the year ended 30 June 2014, including for each class of outputs:
    - its service performance compared with the forecasts in the statement of forecast service performance at the start of the financial year; and

- its actual revenue and output expenses compared with the forecasts in the statement of forecast service performance at the start of the financial year.

Our audit was completed on 30 September 2014. 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 financial statements and the non-financial performance information are 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 financial statements and the non-financial performance information. 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 financial statements and the non-financial performance information. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and the non-financial performance information, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Department's preparation of the financial statements and the non-financial performance information that fairly reflect the matters to which they relate. We consider internal control 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 non-financial performance information within the Department's framework for reporting performance;
- the adequacy of all disclosures in the financial statements and the non-financial performance information; and
- the overall presentation of the financial statements and the non-financial performance information.

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

We have obtained all the information and explanations we have required and 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 and non-financial performance information that:

- comply with generally accepted accounting practice in New Zealand;
- fairly reflect the Department's financial position, financial performance, cash flows, expenses and capital expenditure incurred against each appropriation and its unappropriated expenses and capital expenditure; and
- fairly reflect its service performance and outcomes.

The Solicitor-General is also responsible for such internal control as is determined is necessary to enable the preparation of financial statements and non-financial performance information that are free from material misstatement, whether due to fraud or error. The Solicitor-General is also responsible for the publication of the financial statements and non-financial performance information, whether in printed or electronic form.

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

**Responsibilities of the Auditor**

We are responsible for expressing an independent opinion on the financial statements and the non-financial performance information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and the Public Finance Act 1989.

**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

# Statement of Service Performance

For the year ended 30 June 2014

## 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.

### Service performance

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>QUANTITY</b>				
<b>New cases</b>				
404	Civil advice	380 - 430	397	
119	Judicial reviews	75 - 125	110	
235	Other civil litigation	300 - 350	280	Despite best efforts to forecast volumes, actual volumes of work are driven largely by the needs of agencies delivering core Crown work.
51	Treaty issues	80	49	
87	Other legal advice and representation <sup>10</sup>	90	125	
<b>Cases in progress <sup>11</sup></b>				
547	Civil advice	550 - 600	614	Numbers of matters in progress is also affected by the way in which we have defined when matters are counted as closed. We will give further consideration to how 'closed' and 'in progress' matters are defined, and any changes will be reflected in updated forecasts. This applies to all 'in progress' matters in the report.
212	Judicial reviews	175 - 225	244	
918	Other civil litigation	660 - 800	918	
2,122	Treaty issues	2,100 - 2,200	2,127	
121	Other legal advice and representation	150 - 200	195	
<b>Cases disposed of <sup>12</sup></b>				
642	Civil advice	380 - 430	328	The number of matters and cases disposed of was significantly higher in 2012/13. This is due to an internal project to complete case closure documentation, allowing the files to be archived. This was driven by the relocation to the new office accommodation. This also applies to matters and cases 'disposed of' in Crown Law's other appropriations.
145	Judicial reviews	75 - 125	79	
430	Other civil litigation	300 - 350	280	
107	Treaty issues	30 - 50	44	
68	Other legal advice and representation	30 - 50	51	

<sup>10</sup> This includes abides, extradition surrender matters, and habeas corpus applications.

<sup>11</sup> This note applies to all matters and cases in progress under all appropriations. Due to the nature of the data management system, the number of matters and cases in progress is measured at a point in time (at 30 June). In addition, the database search criteria have been modified in 2014 to improve accuracy. (note: 2012/13 results for matters and cases in progress, under all appropriations, have been updated in this report. This means they differ from the 2012/13 annual report.)

<sup>12</sup> Matters and cases are considered to be 'disposed of' when the matter or case has (i) been completed (for example, the advice has been sent to the client, or the trial or appeal has been heard) and (ii) all case documentation and administration has been completed. This definition also applies to matters and cases 'disposed of' in Crown Law's other appropriations.



Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>PRODUCTIVITY</b>				
<b>Clearance rate (ratio of disposed cases to new cases)</b>				
1.59	Civil advice	1.0 - 1.0	0.83	
1.22	Judicial reviews	1.0 - 1.0	0.72	
1.83	Other civil litigation	1.0 - 1.0	1.0	
2.10	Treaty issues	0.5 - 0.63	0.90	
0.78	Other legal advice and representation	0.40 - 0.53	0.41	
<b>Average hours worked per disposed case</b>				
56	Civil advice	40 - 60	55	
75	Judicial reviews	70 - 90	73	
160	Other civil litigation	150 - 170	158	
291	Treaty issues	100 - 150	212	Of the 44 matters disposed of, 9 of these required significantly more time than the average due to their complexity.
49	Other legal advice and representation	45 - 65	19	The variance was contributed to by a large number of matters being briefed out, reducing the hours worked on by counsel.
<b>QUALITY</b>				
62%	Percentage of written opinions / advice that comply with Crown Law's quality assurance process of peer review <sup>13</sup>	80% <sup>14</sup>	66.3%	As per footnote 14, some advice and opinions will be provided under urgency. Non-substantive advice may not require peer review. The mix of reviewed and non-reviewed advice will vary, however we have set a high benchmark to maximise peer reviewing.
	Percentage of responses to the client survey that consider the service clients receive from Crown Law is either good or excellent	80%	Measure replaced	See Effectiveness section below for replacement.
87%	Percentage of responses to the client survey that consider Crown Law's responsiveness, relevancy, accuracy, and clarity of advice are either good or excellent <sup>15</sup>	80%	87.5%	

<sup>13</sup> This measures whether the opinion or advice has been through the peer review process, as opposed to measuring the outcome of the review process or a reflection of the quality of the opinion or advice itself. The process of peer review is concluded when the professional consensus (or senior judgement applied) is that the advice is of a quality that reflects the standards expected of Crown Law. There is no pass or fail in this process, as the end result must always secure the quality expected before it can be presented to a client.

<sup>14</sup> The target of 80% reflects that some opinions or advice may not be required to go through the peer review process, such as where the advice is given orally, is not substantive (eg a sense check on the interpretation of law), or is required under extreme urgency and cannot be finalised at a later date (ie having the opportunity of peer review).

<sup>15</sup> This succinct rewording of the measure (previously 'responsiveness and customisation to needs, accuracy and robustness of legal advice, and advice being clearly expressed and organised and easy to follow') reflects the individual components of the client survey and the responses to the client survey shown in the narrative of this report.

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>TIMELINESS</b>				
83%	Percentage of written opinions / advice completed by the due date	85%	50.5% <sup>16</sup>	70% of finals <u>or</u> drafts were completed by the due date. We work with our clients in a collaborative model to prepare advice. In our client survey, 87.5% of responses regarding timeliness were 'excellent' or 'good'.
34%	Percentage of Litigation Management Plans completed by the due date	Baseline to be established	82%	In 2013/14, Crown Law reviewed its Litigation Management Plan policies, including how compliance with requirements is measured, and how compliance can be improved. This improved administrative processes and recording of litigation management.
77%	Percentage of responses to the client survey that consider Crown Law's timeliness in responding to requests is either good or excellent	80%	87.5%	
<b>COST-EFFECTIVENESS</b>				
Managed within appropriation	Legal advice and representation is managed within appropriation	Managed within appropriation	Managed within appropriation	
\$196	Cost per hour of client services	Baseline to be established	\$166	This is the average cost per hour of providing legal advice and representation services. In 2012/13 the average cost included the one-off cost of restructuring.
83%	Percentage of responses to the client survey that consider the service clients receive from Crown Law represents value for money is either good or excellent	80%	81.3%	
<b>EFFECTIVENESS</b>				
87%	Percentage of responses to the client survey that consider Crown Law's overall advice and services to be either good or excellent	80%	87.5%	

<sup>16</sup> The advice on time measure includes (i) final advice by due date and (ii) substantive draft advice by due date and finalised within 14 calendar days of the due date. This allows for time lag between the presentation of substantive advice and client feedback prior to finalisation of the substantive advice. It is generally assumed that substantive advice finalised within 14 calendar days has not been required to undergo fundamental changes and therefore is 'final'.

## Financial performance

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Revenue</b>				
1,059	Crown	-	-	-
16,812	Other	15,129	22,365	22,365
<b>17,871</b>	<b>Total revenue</b>	<b>15,129</b>	<b>22,365</b>	<b>22,365</b>
<b>Expenditure</b>				
<b>19,794</b>	<b>Expenditure</b>	<b>16,601</b>	<b>22,365</b>	<b>22,365</b>
<b>(1,923)</b>	<b>Net surplus/(deficit)</b>	<b>(1,472)</b>	<b>-</b>	<b>-</b>

Figures are GST exclusive.

### Multi-class output appropriation: Supervision and conduct of Crown prosecutions and appeals

#### Multi-class output appropriation summary

##### Scope

##### *Criminal law advice and services*

This output class is limited to the provision of advice on criminal law, mutual assistance and extradition cases to other government agencies and to Crown Solicitors.

##### *Conduct of criminal appeals*

This output class is limited to conducting appeals in the High Court, the Court of Appeal and the Supreme Court arising from criminal trials on indictment, including Crown appeals.

##### *Supervision of the Crown Solicitor Network*

This output class is limited to the supervision of the network of Crown Solicitors who deliver prosecution services.

##### *Conduct of Crown prosecutions*

This output class is limited to the provision of a national Crown prosecution service that undertakes criminal trials on indictment.

#### Financial performance (MCOA Summary)

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Revenue</b>				
47,648	Crown	41,825	38,779	41,119
34	Other	16	-	-
<b>47,682</b>	<b>Total revenue</b>	<b>41,841</b>	<b>38,779</b>	<b>41,119</b>
<b>Expenditure</b>				
<b>46,081</b>	<b>Expenditure</b>	<b>41,148</b>	<b>38,779</b>	<b>41,119</b>
<b>1,601</b>	<b>Net surplus/(deficit)</b>	<b>693</b>	<b>-</b>	<b>-</b>

Figures are GST exclusive.

## Output class: Criminal law advice and services

### Scope

This output class is limited to the provision of advice on criminal law, mutual assistance and extradition cases to other government agencies and to Crown Solicitors.

### Service performance

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>QUANTITY</b>				
<b>New cases:</b>				
See below*	Other Law Officer requests regarding criminal cases	125 - 130	See below*	This measure was an aggregate of measures now reported individually below. This also applies to matters in progress and matters disposed of.
See below**	Requests for prosecution appeals and judicial review for High Court, Court of Appeal and Supreme Court	110 - 120	See below**	This measure was an aggregate of Requests for prosecution appeals and Judicial Reviews, which are reported individually below.
25	Criminal advice*	30	21	It was anticipated more advice would be required to support application and implementation of the Criminal Procedure Act changes. Actively providing pre-emptive advice to support implementation contributed to the variance.
5	Judicial Reviews**	3	2	
57	Mutual assistance and extraditions* <sup>17</sup>	55	69	Mutual assistance and extraditions are difficult to forecast. Mutual assistance and extraditions work may be affected by, for example, improved crime detection, organised transnational crimes and potential for crimes to be committed using the internet.
50	Other criminal cases* <sup>18</sup>	55	60	
79	Requests for prosecution appeals**	110 - 120	47	The variance is related to strengthening the focus on core Crown work and ensuring appeals are in the public interest.
<b>Cases in progress</b>				
See below*	Other Law Officer requests regarding criminal cases	385 - 400	See below*	This measure was an aggregate of measures now reported individually below. This also applies to new matters and matters disposed of.
See below**	Requests for prosecution appeals and judicial review for High Court, Court of Appeal and Supreme Court	55 - 60	See below**	This measure was an aggregate of Requests for prosecution appeals and Judicial Reviews, which are reported individually below.

<sup>17</sup> This includes eligibility for extradition, and mutual assistance matters.

<sup>18</sup> This includes consents to criminal prosecution (included in 2012/13 only), immunities from prosecution requests, proceeds of crime, stays of prosecution requests, and Serious Fraud Office prosecutions.

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
91	Criminal advice*	110	64	
5	Judicial Reviews**	7	7	
168	Mutual assistance and extraditions*	220	172	
89	Other criminal cases*	110	72	
27	Requests for prosecution appeals**	55 - 60	23	
<b>Cases disposed of</b>				
See below*	Other Law Officer requests regarding criminal cases	120 - 130	See below*	This measure was an aggregate of measures now reported individually below. This also applies to new matters and matters in progress.
See below**	Requests for prosecution appeals and judicial review for High Court, Court of Appeal and Supreme Court	80 - 90	See below**	This measure was an aggregate of Requests for prosecution appeals and Judicial Reviews, which are reported individually below.
127	Criminal advice*	45	48	Where the number of cases disposed was significantly higher in 2012/13, this is due to an internal project to complete case closure documentation, allowing the files to be archived. This was driven by the relocation to the new office accommodation.
14	Judicial Reviews**	3	2	
63	Mutual assistance and extraditions*	70	65	
131	Other criminal cases*	75	77	
102	Requests for prosecution appeals**	80 - 90	51	
<b>Ministerial services</b>				
56	Number of Ministerial letters and Parliamentary Questions regarding criminal cases received	Ministerial letters 50 Parliamentary questions 0 - 5	10 24	In the previous year Crown Law was involved in high profile cases that attracted more interest than would be normal.
35	Number of Official Information Act 1982 and Privacy Act 1993 requests regarding criminal cases received	30	20	
<b>PRODUCTIVITY</b>				
<b>Clearance rate (ratio of disposed cases to new cases)</b>				
5.08	Criminal advice	1.5	2.29	
2.80	Judicial Reviews	1.0	1.0	
1.11	Mutual assistance and extraditions	1.27	0.94	
2.62	Other criminal cases	1.36	1.28	
1.29	Requests for prosecution appeals	0.72 - 0.75	1.09	
<b>Average hours worked per disposed case</b>				
22	Criminal advice	Baselines to be established as more data is gathered and trends identified	39	(Forecast numbers to be established)
50	Judicial Reviews		45	
36	Mutual assistance and extraditions		41	
21	Other criminal cases		13	
18	Requests for prosecution appeals		19	

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>TIMELINESS</b>				
Ministerial letters 98%	Percentage of responses to Ministerial letters and Parliamentary Questions regarding criminal cases provided within required timeframes	Ministerial letters 100%	100%	Complexity of information, and consultation with external parties to ensure responses are complete and accurate, can affect timeliness.
Parliamentary Questions 100%		Parliamentary Questions 100%	95.8%	
100%	Percentage of Official Information Act 1982 and Privacy Act requests regarding criminal cases responded to within required timeframes	100%	100%	
<b>COST-EFFECTIVENESS</b>				
Managed within appropriation	Criminal law advice and services are managed within appropriation	Managed within appropriation	Managed within appropriation	

### Financial performance

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Revenue</b>				
4,363	Crown	2,530	1,490	2,530
34	Other	16	-	-
<b>4,397</b>	<b>Total revenue</b>	<b>2,546</b>	<b>1,490</b>	<b>2,530</b>
<b>Expenditure</b>				
<b>4,562</b>	<b>Expenditure</b>	<b>2,683</b>	<b>1,490</b>	<b>2,530</b>
<b>(165)</b>	<b>Net surplus/(deficit)</b>	<b>(137)</b>	<b>-</b>	<b>-</b>

Figures are GST exclusive.

## Output class: Conduct of criminal appeals

### Scope

This output class is limited to conducting appeals in the High Court, the Court of Appeal and the Supreme Court arising from criminal trials on indictment, including Crown appeals.

### Service performance

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>QUANTITY</b>				
<b>New cases</b>				
41	Crown appeals (Court of Appeal and Supreme Court)	30 - 40	18	In 2012/13, there was an increase in Crown appeals. One High Court decision under Crown appeal resulted in 20 separate Solicitor-General appeals being filed. Crown Law's standard for approving Crown appeals has not changed.
603	Accused appeals (Court of Appeal and Supreme Court)	650 - 710	523	More data is required over time to consider whether the variance is related to changes in the Criminal Procedure Act.
<b>Cases in progress</b>				
46	Crown appeals (Court of Appeal and Supreme Court)	40 - 45	33	Cases in progress decreased as there were fewer new cases, and higher numbers of cases disposed of. This is reflected in clearance rates.
636	Accused appeals (Court of Appeal and Supreme Court)	725 - 795	379	
<b>Cases disposed of <sup>19</sup></b>				
53	Crown appeals (Court of Appeal and Supreme Court)	50 - 60	31	In 2013/14 staff conducted further checks to ensure all the files that could be closed were, and processes were improved to support timely closure of matters. It is likely that this contributed to the higher than forecast disposal of matters, which when combined with fewer new matters resulted in higher clearance rates and decreased matters in progress.
617	Accused appeals (Court of Appeal and Supreme Court)	400 - 440	781	
<b>PRODUCTIVITY</b>				
<b>Clearance rate (ratio of disposed cases to new cases)</b>				
1.26	Crown appeals (Court of Appeal and Supreme Court)	1.6	1.72	
1.02	Accused appeals (Court of Appeal and Supreme Court)	0.62	1.49	
<b>Average hours worked per disposed case</b>				
68	Crown appeals (Court of Appeal and Supreme Court)	65	59	

<sup>19</sup> The number of Crown appeals disposed of (31) differs to the numbers noted under how appeals were concluded (38; see the following 'Quality' section). This is because 'disposed' files are closed and ready to be archived, whereas at 30 June 2014 some appeals concluded in favour of the Crown had administrative tasks pending.

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
28	Accused appeals (Court of Appeal and Supreme Court)	30	28	
<b>QUALITY<sup>20</sup></b>				
75%	Percentage of appeals brought by the Crown concluded in favour of the Crown	60% <sup>21</sup>	89.5%	34 appeals brought by the Crown were successful, 2 were abandoned and 2 dismissed
New	Percentage of appeals brought by the accused/defendant concluded in favour of the accused/defendant (appeals allowed in full and in part)	New	23.42%	Of appeals brought by the accused/defendant: 83 abandoned; 1 abandoned in part; 108 allowed; 29 allowed in part; 358 dismissed; 4 refused; 2 granted.
<b>COST-EFFECTIVENESS</b>				
Managed within appropriation	Criminal appeals are managed within appropriation	Managed within appropriation	Managed within appropriation	

### Financial performance

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Revenue</b>				
2,862	Crown	3,995	3,289	3,289
<b>Expenditure</b>				
3,170	Expenditure	3,875	3,289	3,289
(308)	Net surplus/(deficit)	120	-	-

Figures are GST exclusive.

The increased revenue and expenditure occurred due to a court awarded cost against the Crown for which there was no provision in the estimates.

<sup>20</sup> The 2013/14 Statement of Intent refers to appeals concluded in favour of the Crown. This does not distinguish between appeals brought by the Crown and appeals brought by the accused/defendant, so both sets of results are presented. The reason they are presented separately is that they are not comparable data. The Crown does not bring appeals on behalf of the accused/defendant, the volumes involved are very different, and the amount of work involved is different for Crown Law. The wording will be clarified in the Budget 2015 supplementary estimates for 2014/15. Note where leave is required 'granted' and 'refused' is typically used. For substantive appeals 'allowed' and 'dismissed' is used.

<sup>21</sup> The target is set at 60% to reflect that some appeals may be taken to clarify points of law.



## Output class: Supervision of the Crown Solicitor Network

### Scope

This output class is limited to the supervision of the network of Crown Solicitors who deliver prosecution services.

### Service performance

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>QUANTITY</b>				
New measure	Annual Questionnaire	1	1	This is an overview of the capability and resources of the network
1 completed and 1 underway	Number of quality assurance reviews (full network is reviewed on rotation every three years)	3	3	These involve key stakeholders providing high level feedback (via surveys) on a range of topics, checking quality from different perspectives
New measure	Applications dealt with by the Public Prosecutions Unit within 20 working days of receiving information required	80%	100%	These include applications for classification of counsel, approval of expert witnesses and dispensations to act against the Crown dealt with by the PPU within 20 working days of receiving all information required. This measure is a quality check on the service being provided by Crown Law. It replaces the following measure and has a stronger focus on administrative performance.
611	Technical applications from Crown Solicitors	250-300	Measure withdrawn	The new funding model for Crown Solicitors has made redundant the need to complete applications for special fees or approval of additional counsel, which were the majority of applications.
Measure under development	Percentage of recommendations from independent reviews of Crown Solicitors' practices put into action	Measure under development	Measure withdrawn	Measure replaced by 'Improvement recommendations implemented within timeframes set' under Conduct of Crown Prosecutions
<b>COST EFFECTIVENESS</b>				
Managed within appropriation	Supervision of the network is provided within appropriation	Managed within appropriation	Managed within appropriation	

## Financial performance

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Revenue</b>				
700	Crown	840	840	840
<b>Expenditure</b>				
723	Expenditure	820	840	840
(23)	Net surplus/(deficit)	20	-	-

Figures are GST exclusive.

### Output class: Conduct of Crown prosecutions

#### Scope

This output class is limited to the provision of a national Crown prosecution service that undertakes criminal trials on indictment.

#### Service performance

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>QUANTITY</b>				
New measure	New Crown prosecutions, including appeals to the High Court from non-Crown prosecutions	5,800 - 6,000	4,495	Previous forecasts were based on incorrect sector information, with less accurately defined data parameters than that being directly gathered now by the Public Prosecutions Unit. The variance is not unexpected.
New measure	Crown prosecutions disposed of, including appeals to the High Court from non-Crown prosecutions	4,900 - 5,100	4,395	
New measure	Hours of service provided	230,000 - 250,000	181,170	As a new measure, there was no previous full-year data for comparison when the forecast was calculated. The variance is not unexpected.
New Measure	Proportion of cases stayed as a result of prosecutorial delay	<1%	0%	No Crown matters have been stayed for prosecutorial delay this year.
New Measure	Number of interview based reviews conducted	1	1	
New measure	Number of interview based reviews in which Crown Solicitor performance assessed as meeting or exceeding expected standards	1	0	The review conducted identified areas for improvement. Recommendations have been made and a further review will be conducted in the 2014/2015 year.

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
New Measure	Number of survey based reviews conducted	3	3	
New measure	Number of survey based reviews in which Crown Solicitor performance assessed as meeting or exceeding expected standards	3	3	
New measure	Improvement recommendations implemented within timeframes set	>90%	See comment:	Recommendations from the interview based review conducted are to be implemented in 2014/15.
New measure	Proportion of Crown Solicitor Monthly Prosecution Reports submitted within PPU deadline	90%	100%	
New measure	Proportion of Crown Solicitor Annual Questionnaires submitted within PPU deadline	90%	100%	
Measure in development	Percentage of prosecution/informant appeals conducted by Crown Solicitors concluded in favour of the Crown	Measure in development	Measure withdrawn	The measure is not being used as the results of appeals do not necessarily reflect the quality of service provided.
<b>COST-EFFECTIVENESS</b>				
Managed within appropriation	Crown Law's supervision and conduct of Crown prosecutions is managed within appropriation	Managed within appropriation	Managed within appropriation	
Measure in development	Average cost to Crown Law for cases by category grouping and District Court / High Court	Measure in development	Measure withdrawn	The measure was withdrawn due to establishment of the bulk funding model based on forecasted cases weighted for complexity.

### Financial performance

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Revenue</b>				
39,723	Crown	34,460	33,160	34,460
<b>Expenditure</b>				
37,626	Expenditure	33,770	33,160	34,460
2,097	Net surplus/(deficit)	690	-	-

Figures are GST exclusive.

Approval was obtained in April 2014 for an in-principal expense transfer of up to \$1.2 million from 2013/14 to 2014/15 in this output class.

## 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.

### Service performance

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
<b>QUANTITY</b>				
<b>New cases</b>				
54	Applications processed on behalf of the Attorney-General <sup>22</sup>	35 - 45	46	
126	Advice on behalf of the Attorney-General	100 - 120	110	
15	Litigation on behalf of the Attorney-General	10 - 15	11	
6	Other statutory and judicial matters	5 - 10	7	
<b>Cases in progress</b>				
127	Applications processed on behalf of the Attorney-General	80 - 90	134	
201	Advice on behalf of the Attorney-General	180 - 200	212	
29	Litigation on behalf of the Attorney-General	25 - 30	30	
53	Other statutory and judicial matters	50 - 55	49	
<b>Cases disposed of</b>				
106	Applications processed on behalf of the Attorney-General	35 - 45	39	The number of cases disposed of was higher in 2012/13, due to an internal project to complete case closure documentation, allowing the files to be archived. This was driven by the relocation to the new office accommodation.
185	Advice on behalf of the Attorney-General	100 - 120	99	
13	Litigation on behalf of the Attorney-General	5 - 10	10	
24	Other statutory and judicial matters	5 - 10	11	
<b>Ministerial services</b>				
48	Number of weekly written briefings provided to the Attorney-General	47	48	
150	Number of Ministerial letters and Parliamentary Questions (non-criminal)	Ministerial letters 130 Parliamentary questions 0 - 10	Ministerial letters 110 Parliamentary questions 3	The number of requests received varies from year to year, and is often related to matters of higher public interest.

<sup>22</sup> These include applications for second coronial inquiries, special patient reclassification, discharge of adoption orders, trust variations, interventions in respect of alleged contempt and breaches of name suppression.

Actual 2012/13	Measure	Forecast 2013/14	Actual 2013/14	Comments
53	Number of Official Information Act 1982 and Privacy Act 1993 requests (non-criminal)	50	45	The number of requests received varies from year to year, and is often related to matters of higher public interest.
<b>PRODUCTIVITY</b>				
<b>Clearance ratio</b>				
1.96	Applications processed on behalf of the Attorney-General	1.0	0.85	
1.47	Advice provided on behalf of the Attorney-General	1.0	0.90	
0.87	Litigation on behalf of the Attorney-General	0.5 - 0.66	0.91	
4.00	Other statutory and judicial matters	1.0	1.57	
<b>Average hours worked per disposed case</b>				
80	Applications processed on behalf of the Attorney-General	Baselines to be established as more data is gathered and trends identified	39	Average hours reflect the complexity of matters which may vary in number and scale.
78	Advice on behalf of the Attorney-General		119	
50	Litigation on behalf of the Attorney-General		54	
67	Other statutory and judicial matters		224	
<b>QUALITY</b>				
92%	Percentage of responses to a questionnaire to the Attorney-General that consider the service provided by Crown Law is either good or excellent	90%	100%	
<b>TIMELINESS</b>				
Ministerial letters 96%	Percentage of responses to Ministerial letters and Parliamentary questions (non-criminal) provided within required timeframes	Ministerial letters 100%	97.3%	Complexity of information, and consultation with external parties to ensure responses are complete and accurate, can affect timeliness.
Parliamentary Questions 100%		Parliamentary questions 100%	100%	
92%	Percentage of Official Information Act 1982 and Privacy Act 1993 requests (non-criminal) responded to within required timeframes	100%	100%	
<b>COST-EFFECTIVENESS</b>				
Managed within appropriation	The exercise of Principal Law Officer functions is managed within appropriation	Managed within appropriation	Managed within appropriation	

## Financial performance

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Revenue</b>				
2,241	Crown	1,834	2,874	1,834
66	Other	63	50	50
<b>2,307</b>	<b>Total revenue</b>	<b>1,897</b>	<b>2,924</b>	<b>1,884</b>
<b>Expenditure</b>				
<b>1,897</b>	<b>Expenditure</b>	<b>1,762</b>	<b>2,924</b>	<b>1,884</b>
<b>410</b>	<b>Net surplus/(deficit)</b>	<b>135</b>	<b>-</b>	<b>-</b>

Figures are GST exclusive.

## Additional measures included in the 2013/14 Statement of Intent (in appendix 2)

Dimension	Measure	Baseline	Actual	Comments
<b>CAPABILITY</b>				
Finances	Outputs are managed within appropriation (including expenditure on Crown prosecutions)	2011/12: Managed within appropriation	Maintained	See appropriation performance statements above
People	Increased percentage of engaged staff	2011/12: 70.8%	See comments	Survey planned for early 2015
	Percentage of staff unplanned turnover	2011/12: 10% (compared to 11.4% for the public sector) 2010/11: 9% (compared to 10.9% for the public sector)	See comments	Capability profile being developed for core business as part of new People Strategy. Turnover metrics will then be designed to monitor capability to deliver core business.
	Percentage of performance plans and reviews completed	To be developed	See comments	Improvements to Performance Management Framework being delivered for 2014/15 year. Will have % of performance plans and reviews completed for year to end June 2015.
	Average hours per employee spent on training and education	2011/12: 121.7 hours per employee 2010/11: 131.2 hours per employee	2013/14: 40.36 hours per legal employee	The definition for this measure has changed in 2013/14. If the current definition was applied retrospectively to 2011/12 the result would be 61.25 hours per legal employee. The difference to 2013/14 is due to an internal litigation skills programme. (The 2011/12 total of 121.7 hours is for legal and non-legal staff and is likely to have included additional hours such as the work of training and development specialists. The current definition focuses on training received by legal staff and excludes hours related to the provision of training and development.)

Dimension	Measure	Baseline	Actual	Comments
ICT	Documents are able to be accessed remotely, securely, without significant time delays	To be developed	See comments	A significant programme of work was implemented over a year ago. Progress is marked by milestones: (i) Interim Virtual Desktop has been implemented, providing users with access to a secure Crown Law desktop from outside the office, via the iPads (we have licenses for 90% of our headcount); (ii) Our Desktop-as-a-Service project, underway in 2013/14, will extend the secure virtual desktop experience to be available on home PCs, laptops and other tablet devices. This will be available for rollout to all employees, where a business need is established.
<b>OUTPUTS</b>				
For the performance measures for Crown Law's outputs and services see the Budget 2013 Information Supporting the Estimates for Vote Attorney-General and the Budget 2014 Supplementary estimates for 2013/14, and corresponding information in this report's Statement of Service Performance.				
<b>IMPACTS</b>				
Offenders increasingly held to account, through high quality Crown prosecutions and appeals that are delivered cost-effectively and in the public interest	Maintain or improve the percentage of Police prosecutions resulting in conviction <sup>23</sup>	2012: 73.7% 2011: 74.4%	2014: 89.14%	The 2014 result is based on improved information that is more accurate than in previous years. In previous years the data included prosecutions not conducted by Crown Solicitors. The historical data is not readily accessible by Crown Law, and retrospective adjustments to previous years' results are therefore impractical.
Increased trust in the justice system, through the performance of the Principal Law Officers' constitutional and other duties	The World Justice Project Rule of Law Index shows that for New Zealand's criminal justice system:	Maintain or improve		Where international results are available these have been graphed under Our Outputs, Increased trust in the justice system, through the performance of the Principal Law Officers' constitutional and other duties (see table of contents).
	• it is free of corruption	2012: 0.94 Rank: 2/97	2014: 0.94 Rank: 2/99	
	• it is free of improper government influence	2012: 0.91 Rank: 5/97	2014: 0.83 Rank: 14/99	
	• there is due process of law and rights of the accused	2012: 0.84 Rank: 8/97	2014: 0.82 Rank: 7/99	

<sup>23</sup> This measure refers to all Crown prosecutions (including prosecutions commenced by the Police and agencies other than the Police, which were transferred to Crown Solicitors). It includes matters in which guilt was established but no conviction was entered (ie where diversion was completed or the defendant was discharged without conviction following a guilty plea/verdict).

Dimension	Measure	Baseline	Actual	Comments
	The Bertelsmann Foundation Sustainable Governance Indicators Status Index shows that New Zealand has effective:	Maintain or improve		For the Bertelsmann Foundation Sustainable Governance Indicators Status Index there were 41 countries ranked on their own scores (ie not relative to others), which resulted in groups of countries with the same score e.g. 10/10 being first equal.
	<ul style="list-style-type: none"> <li>appointment of justices</li> </ul>	2011: 8/10 Rank: 10/31 2009: 8/10	2014: 8/10 Rank: 3 <sup>rd</sup> equal	
	<ul style="list-style-type: none"> <li>corruption prevention</li> </ul>	2011: 10/10 Rank: 1/31 2009: 10/10	2014: 10/10 Rank: 1 <sup>st</sup> equal	
Reduced legal risks to the Crown, through protecting the Crown's interests and ensuring any risks are well managed	The Bertelsmann Foundation Sustainable Governance Indicators Status Index shows that New Zealand has effective:	Maintain		
	<ul style="list-style-type: none"> <li>legal certainty</li> </ul>	2011: 10/10 Rank 1/31 2009: 10/10	2014: 10/10 Rank: 1 <sup>st</sup> equal	
	<ul style="list-style-type: none"> <li>judicial review</li> </ul>	2011: 10/10 Rank 1/31 2009: 10/10	2014: 10/10 Rank: 1 <sup>st</sup> equal	
<b>COST-EFFECTIVENESS</b>				
Efficiency	Cost per matter disposed	To be developed	To be developed	Consideration is being given to cost comparison as a better indicator of value and efficiency. For cost per hour in 2013/14, see Legal Advice and Representation.
Value for money	Cost per hour of client services	To be developed	See comments	
	Client perceptions of value for money	2012: 82% 2011: 73%	81.3%	Results are percentages of responses that are 'excellent' or 'good'.
<b>JUSTICE SECTOR INDICATORS</b>				
The Ministry of Justice reports on progress against the Better Public Services targets and the justice sector Key Performance Indicators.				



# Financial statements

## Statement of Comprehensive Income

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Income</b>					
50,948	Crown		43,659	41,653	42,953
16,912	Other revenue	2	15,208	22,415	22,415
<b>67,860</b>	<b>Total income</b>		<b>58,867</b>	<b>64,068</b>	<b>65,368</b>
<b>Expenditure</b>					
19,774	Personnel costs	3	16,944	19,155	18,000
720	Depreciation and amortisation expense	4	929	1,194	953
109	Capital charge	5	165	165	165
1,175	Restructuring costs		-	-	-
38,055	Crown Solicitors' fees		33,770	33,160	34,460
7,939	Other operating expenses	6	7,703	10,394	11,790
<b>67,772</b>	<b>Total expenditure</b>		<b>59,511</b>	<b>64,068</b>	<b>65,368</b>
88	Net operating surplus/(deficit)		(644)	-	-
<b>88</b>	<b>Total comprehensive income</b>		<b>(644)</b>	<b>-</b>	<b>-</b>

Explanations for major variances against budget are provided in Note 25.

The accompanying notes form part of these financial statements.

## Statement of Financial Position

As at 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Assets</b>					
<b>Current assets</b>					
7,212	Cash and cash equivalents		5,328	6,644	3,767
380	Prepayments		387	350	350
4,355	Debtors and other receivables	7	2,878	3,800	3,800
4,174	Debtor Crown	8	706	-	-
951	GST Receivable		-	-	-
<b>17,072</b>	<b>Total current assets</b>		<b>9,299</b>	<b>10,794</b>	<b>7,917</b>
<b>Non-current assets</b>					
3,436	Property, plant and equipment	9	3,074	3,654	3,215
160	Intangible assets	10	45	236	150
<b>3,596</b>	<b>Total non-current assets</b>		<b>3,119</b>	<b>3,890</b>	<b>3,365</b>
<b>20,668</b>	<b>Total assets</b>		<b>12,418</b>	<b>14,684</b>	<b>11,282</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
10,683	Creditors and other payables	11	5,107	5,315	4,015
2,153	Employee entitlements	12	1,494	1,700	1,500
156	Provisions	13	706	-	-
1,990	Return of operating surplus	14	829	-	-
<b>14,982</b>	<b>Total current liabilities</b>		<b>8,136</b>	<b>7,015</b>	<b>5,515</b>
<b>Non-current liabilities</b>					
119	Employee entitlements	12	188	200	200
<b>119</b>	<b>Total non-current liabilities</b>		<b>188</b>	<b>200</b>	<b>200</b>
<b>15,101</b>	<b>Total liabilities</b>		<b>8,324</b>	<b>7,215</b>	<b>5,715</b>
<b>Equity</b>					
1,767	Taxpayers' funds	15	2,063	1,767	1,767
3,222	Memorandum account: Legal advice and representation	21	1,916	5,406	3,222
261	Memorandum account: Government Legal Network	22	95	-	261
21	Memorandum account: Processing of Queen's Counsel applications	23	20	-	21
296	Revaluation reserve	15	-	296	296
<b>5,567</b>	<b>Total equity</b>	15	<b>4,094</b>	<b>7,469</b>	<b>5,567</b>

Explanations for major variances against budget are provided in Note 25.

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
7,469	<b>Balance at 1 July</b>		5,567	7,469	5,567
88	Surplus/(deficit) for the year		(644)	-	-
	- Transfer of Revaluation Reserve to Retained Surplus		296	-	-
	- Capital injection for memorandum account opening balance		-	-	-
	- Other capital injection		-	-	-
	- Movements in revaluation reserve		(296)	-	-
(1,990)	Return of operating surplus to the Crown	14	(829)	-	-
<b>(1,902)</b>	<b>Movements for the year</b>		<b>(1,473)</b>	-	-
<b>5,567</b>	<b>Balance at 30 June</b>	15	<b>4,094</b>	<b>7,469</b>	<b>5,567</b>

The accompanying notes form part of these financial statements.

## Statement of Cash Flows

For the year ended 30 June 2014

Actual 2013 \$000		Notes	Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000
<b>Cash flows from operating activities</b>					
<b>Cash was provided from:</b>					
47,948	Receipts from Crown		45,827	44,653	41,653
16,373	Receipts from clients		16,685	22,415	22,970
64,321			62,512	67,068	64,623
<b>Cash was applied to:</b>					
21,224	Payments to employees		17,690	19,100	18,687
45,339	Payments to suppliers		46,486	47,522	48,891
612	Net Goods and Services Tax paid/(received)		(1,087)	(1,087)	(1,087)
109	Payment for capital charge		165	165	165
67,284			63,254	65,700	66,656
<b>(2,963)</b>	<b>Net cash inflow from operating activities</b>	16	<b>(742)</b>	<b>1,368</b>	<b>(2,033)</b>
<b>Cash flows from investing activities</b>					
<b>Cash was provided from:</b>					
-	Sale of property, plant and equipment		-	-	-
<b>Cash was disbursed for:</b>					
3,341	Purchase of property, plant and equipment		413	255	582
11	Purchase of intangible assets		39	160	140
3,352			452	415	722
<b>(3,352)</b>	<b>Net cash outflow from investing activities</b>		<b>(452)</b>	<b>(415)</b>	<b>(722)</b>
<b>Cash flows from financing activities</b>					
<b>Cash was provided from:</b>					
-	Capital injection		-	-	-
<b>Cash was disbursed for:</b>					
470	Repayment of operating surplus		690	-	690
<b>(470)</b>	<b>Net cash outflow from financing activities</b>		<b>(690)</b>	<b>-</b>	<b>(690)</b>
<b>(6,785)</b>	<b>Net (decrease)/increase in cash</b>		<b>(1,884)</b>	<b>953</b>	<b>(3,445)</b>
13,997	Cash at the beginning of the year		7,212	5,691	7,212
<b>7,212</b>	<b>Cash at the end of the year</b>		<b>5,328</b>	<b>6,644</b>	<b>3,767</b>

Explanations for major variances against budget are provided in Note 25.

The accompanying notes form part of these financial statements.

## Statement of Commitments

As at 30 June 2014

### Non-cancellable operating lease commitments

Crown Law's office lease at 19 Aitken Street Wellington, is a sub-lease from the Ministry of Justice. It began on 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 leased a pilot office with the Serious Fraud Office in Auckland from 1 January 2013. The minimum term of the lease was for a period of eighteen months expiring on 30 June 2014. This has been renewed for another 12 months.

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

Actual 2013 \$000		Actual 2014 \$000
<b>Capital commitments</b>		
- There were no capital commitments as at 30 June		
<b>Non-cancellable operating lease commitments (Inter-Entity)</b>		
1,061	Not later than one year	1,061
4,203	Later than one year and not later than five years	4,203
1,576	Later than five years	525
<b>6,840</b>	<b>Total non-cancellable operating lease commitments (Inter-Entity)</b>	<b>5,789</b>
<b>6,840</b>	<b>Total commitments</b>	<b>5,789</b>

The accompanying notes form part of these financial statements.

## Statement of Departmental Contingent Liabilities and Assets

As at 30 June 2014

### **Unquantifiable contingent liabilities**

Crown Law has no unquantifiable contingent liabilities (2013: Nil).

### **Quantifiable contingent liabilities**

Crown Law has no quantifiable contingent liabilities (2013: Nil).

### **Contingent assets**

Crown Law has no contingent assets (2013: Nil).

The accompanying notes form part of these financial statements.

## Statement of Departmental Unappropriated Expenditure and Capital Expenditure

For the year ended 30 June 2014

The accompanying notes form part of these financial statements.

Unappropriated Expenditure	Actual	Supplementary Estimate	Unappropriated Expenditure
2013	2014	2014	2014
\$000	\$000	\$000	\$000
<b>Vote Attorney-General</b>			
Supervision and conduct of Crown prosecutions and appeals MCOA			
225 Output class: Conduct of criminal appeals	3,875	3,289	747
<b>225 Total</b>	<b>3,875</b>	<b>3,289</b>	<b>747</b>

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

Crown Law has incurred unappropriated expenditures of \$225,000 in 2012/13, and \$747,000 in 2013/14 in the MCOA - Conduct of criminal appeals for the Lundy appeal at the Privy Council, including a \$706,000 payment for court awarded costs. The expenses incurred in both years are not appropriated, and outside the scope of appropriation.

From 1 July 2012, the scope statement for the Conduct of Criminal Appeals was changed to list the New Zealand appellate courts in which Crown Law appears. However, the statement does not specifically reference the Privy Council which, under the Supreme Court Act 2004 transitional provisions, is still an available avenue of appeal for an extremely limited number of cases. The Solicitor-General remains responsible for the conduct of appeals in the Privy Council. Listing the New Zealand appellate courts in the scope statements was therefore not intended to suggest the Solicitor-General would not be responsible for representation in the Privy Council. However, the current scope statement limits the scope of appeals the appropriation covers and on that basis unappropriated expenditure has occurred.

## Statement of Departmental Expenses and Capital Expenditure against Appropriations

For the year ended 30 June 2014

Actual 2013 \$000		Actual 2014 \$000	Main Estimates 2014 \$000	Supp Estimates 2014 \$000	Section 26c 2014 \$000	Appropriation Voted 2014* \$000	In principal transfer 2014 \$000
<b>Vote Attorney-General</b>							
<b>Appropriations for output expenses</b>							
19,794	Legal advice and representation	16,601	22,365	22,365	-	22,365	-
<b>46,081</b>	<b>Supervision and conduct of Crown prosecutions and appeals MCOA</b>	<b>41,148</b>	<b>38,779</b>	<b>41,119</b>	<b>747</b>	<b>41,705</b>	<b>690</b>
4,562	<i>Criminal law advice and services</i>	2,683	1,490	2,530	-	2,530	-
3,170	<i>Conduct of criminal appeals</i>	3,875	3,289	3,289	747	3,875	-
723	<i>Supervision of the Crown Solicitor Network</i>	820	840	840	-	840	-
37,626	<i>Conduct of Crown prosecutions</i>	33,770	33,160	34,460	-	34,460	690
1,897	The exercise of Principal Law Officer functions	1,762	2,924	1,884	-	1,884	-
<b>67,772</b>	<b>Total appropriations for output expenses</b>	<b>59,511</b>	<b>64,068</b>	<b>65,368</b>	<b>747</b>	<b>65,954</b>	<b>690</b>
<b>Appropriations for capital expenditure</b>							
3,352	Capital investment	452	415	722	-	722	-
<b>71,124</b>	<b>Total appropriations</b>	<b>59,963</b>	<b>64,483</b>	<b>66,090</b>	<b>747</b>	<b>66,676</b>	<b>690</b>

\* This includes adjustments made in the Supplementary Estimates and the additional expenditures incurred under section 26c of the Public Finance Act 1989.

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

There have been no remeasurements identified during the 2013/14 financial year, which implies that the actual expenditure incurred was equal to the expenditure after remeasurement.

The accompanying notes form part of these financial statements.



## Schedule of Trust Monies

For the year ended 30 June 2014

Actual 2013 \$000	Actual 2014 \$000
<b>Crown Law Office Legal Claims Trust Account</b>	
<b>276</b> Balance at 1 July	<b>206</b>
401 Contributions	848
(470) Distributions	(772)
4 Revenue	2
(5) Expenditure	-
<b>206</b> Balance at 30 June	<b>284</b>

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.

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

For the year ended 30 June 2014

### 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 and is domiciled in New Zealand.

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

The primary objective of Crown Law is to provide services to the public rather than making a financial return. Accordingly, Crown Law has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Crown Law are for the year ended 30 June 2014. The financial statements were authorised for issue by the Chief Executive of Crown Law on 30 September 2014.

#### Basis of preparation

##### **Statement of compliance**

The financial statements of Crown Law have been prepared in accordance with the requirements of the Public Finance Act 1989, 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 NZ GAAP as appropriate for public benefit entities and they comply with NZ IFRS.

##### **Measurement base**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The financial statements have been prepared on a historical cost basis.

##### **Functional and presentation currency**

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000). The functional currency of Crown Law is New Zealand dollars.

##### **Changes in accounting policies**

Given the increasing electronic component of its library material, Crown Law has changed its accounting policy for its library collection assets so that they are expensed rather than capitalised. This is expected to result in the financial statements providing reliable and more relevant information.

##### *Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted*

There is one standard, amendment, or interpretation issued but not yet effective that has not been early adopted, and that is relevant to Crown Law. NZ IFRS 9 Financial Instruments will eventually replace NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IAS 39 is being replaced through the following three main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.

### Note 1: Statement of accounting policies (continued)

The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Office is classified as a Tier 1 reporting entity and it will be required to apply full Public Benefit Entity Accounting Standards (PAS). These standards are being developed by the XRB based on current International Public Sector Accounting Standards. The effective date for the new standards for public sector entities is expected to be for reporting periods beginning on or after 1 July 2014. This means Crown Law expects to transition to the new standards in preparing its 30 June 2015 financial statements. As the PAS are still under development, the department is unable to assess the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, it is expected that all new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standard Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude public benefit entities from their scope.

The following significant accounting policies, which materially affect the measurement of financial results and financial position, have been applied consistently to all periods presented in these financial statements.

#### Significant accounting policies

##### **Revenue**

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

##### *Revenue Crown and other revenue*

Crown Law derives revenue through the provision of outputs to the Crown and for services to third parties. 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 period 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.

Crown Law's office lease at 19 Aitken Street Wellington, is a sub-lease from the Ministry of Justice. It began on 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 leased a pilot office with the Serious Fraud Office in Auckland from 1 January 2013. The minimum term of the lease was for a period of eighteen months expiring on 30 June 2014. This has been renewed for another 12 months.

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

##### **Financial instruments**

Financial assets and financial liabilities are initially measured at the fair value plus transaction costs, unless they are carried at fair value through surplus or deficit, in which case the transaction costs are recognised in the Statement of Comprehensive Income.

##### **Cash and cash equivalents**

Cash 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.

**Note 1: Statement of accounting policies (continued)*****Debtors and other receivables***

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

Impairment of a receivable is established when there is objective evidence that Crown Law will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debtor is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision for impairment account, and the amount of the loss is recognised in the surplus or deficit. Overdue receivables that are renegotiated are reclassified as current (that is, not past due).

***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.

The write-down from cost to current net realisable value is recognised in the Statement of Comprehensive Income in the period when the write-down occurs.

***Property, plant and equipment***

Property, plant and equipment consists of leasehold improvements, computer hardware, furniture and fittings, office equipment and library.

Property, plant and equipment is measured at cost or valuation, 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 at no cost, 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.

***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	(15.4%)
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**Note 1: Statement of accounting policies (continued)**

Computer hardware	2 to 5 years	(20% - 50%)
Furniture and fittings	5 years	(20%)
Office equipment	5 years	(20%)
Library (refer changes in accounting policy)	10 years	(10%)

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.

***Intangible assets******Software acquisition and development***

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Staff training costs are recognised as an expense when incurred.

***Amortisation***

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Income.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired computer software	3 years	(33.3%)
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***Impairment of property, plant and equipment and intangible assets***

Property, plant and equipment and intangible assets 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.

***Creditors and other payables***

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

***Employee entitlements******Short-term employee entitlements***

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values 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, retiring and long service leave entitlements expected to be settled within 12 months.

Note that retirement and long service leave from an old expired contract are maintained for eight staff.

***Long-term employee entitlements***

Employee benefits 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 retiring 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.

**Note 1: Statement of accounting policies (continued)**

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 gratuities 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 Statement of Comprehensive Income 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 future economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

**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, memorandum accounts and revaluation reserves.

*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, levies or charges.

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

*Revaluation reserves*

These reserves relate to the revaluation of library to fair value.

**Commitments**

Expenses yet to be incurred on non-cancellable contracts that have been entered into on or before balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

**Goods and Services Tax (GST)**

All items in the financial statements, including 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, 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.

**Note 1: Statement of accounting policies (continued)*****Income tax***

Government departments are exempt from income tax as public authorities. Accordingly, no charge for income tax has been provided for.

***Budget figures***

The budget figures are those included in Crown Law's Information Supporting the Estimates for the year ending 30 June 2014, which are consistent with the financial information in the Main Estimates. In addition, the financial statements also present the updated budget information from the Supplementary Estimates. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

***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 judgements 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 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 12.

**Note 2: Other revenue**

Actual 2013 \$000		Actual 2014 \$000
Legal fees and disbursements received from:		
16,798	Government departments / other government entities	15,124
59	Other clients	44
55	Court awarded costs	40
<b>16,912</b>	<b>Total other revenue</b>	<b>15,208</b>

**Note 3: Personnel costs**

Actual 2013 \$000		Actual 2014 \$000
19,118	Salaries and wages	16,083
126	Other personnel costs	123
657	Employer contributions to subsidised superannuation schemes	659
(127)	Movement in retirement and long service leave	79
<b>19,774</b>	<b>Total personnel costs</b>	<b>16,944</b>

**Note 4: Depreciation and amortisation expenses**

Actual 2013 \$000		Actual 2014 \$000
<b>Depreciation of property, plant and equipment</b>		
9	Office equipment	95
102	Computer equipment	165
380	Leasehold improvements	240
33	Furniture and fittings	253
11	Library	22
<b>Amortisation of intangibles</b>		
185	Computer software	154
<b>720</b>	<b>Total depreciation and amortisation expenses</b>	<b>929</b>

**Note 5: Capital charge**

Crown Law pays a capital charge to the Crown on its taxpayers' funds, exclusive of the balance of the Memorandum Accounts, as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2014 was 8% (2013: 8%).



**Note 6: Other operating expenses**

Actual 2013 \$000		Actual 2014 \$000
52	Audit fees for audit of the financial statements	54
	- Bad debts written off	-
	- Increase/(decrease) provision for doubtful debts	-
(60)	Increase/(decrease) impairment for doubtful work in progress (Note 7)	(7)
1,585	Consultancy	843
1,805	Operating lease expenses	1,137
4,557	Other operating expenses	5,676
<b>7,939</b>	<b>Total other operating expenses</b>	<b>7,703</b>

**Note 7: Debtors and other receivables**

Actual 2013 \$000		Actual 2014 \$000
2,645	Trade debtors	1,400
	- Less provision for doubtful debts	-
<b>2,645</b>	<b>Net trade debtors</b>	<b>1,400</b>
1,710	Work in progress	1,477
(7)	Less impairment for doubtful work in progress	-
<b>1,703</b>	<b>Net work in progress</b>	<b>1,477</b>
7	Sundry debtors	1
<b>4,355</b>	<b>Total debtors and other receivables</b>	<b>2,878</b>

The carrying value of debtors and other receivables approximates their fair value.

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

	2013			2014		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
Not past due	1,603	-	1,603	977	-	977
Past due 1-30 days	303	-	303	245	-	245
Past due 31-60 days	125	-	125	46	-	46
Past due 61-90 days	108	-	108	48	-	48
Past due >90 days	506	-	506	84	-	84
<b>Total</b>	<b>2,645</b>	<b>-</b>	<b>2,645</b>	<b>1,400</b>	<b>-</b>	<b>1,400</b>

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 2014 fees and disbursements.

**Note 7: Debtors and other receivables (continued)**

Movement in the provision for impairment of work in progress is as follows:

Actual 2013 \$000	Actual 2014 \$000
<b>67 Balance at 1 July</b>	<b>7</b>
(60) Additional provisions made (Note 6)	(7)
- Work in progress written off	-
<b>7 Balance at 30 June</b>	<b>-</b>

**Note 8: Debtor Crown**

Actual 2013 \$000	Actual 2014 \$000
<b>1,213 Balance at 1 July</b>	<b>4,174</b>
2,961 Debtor Crown: Conduct of crown prosecution	(3,000)
- Debtor Crown: Prior year capital injection	(1,174)
- Debtor Crown: Conduct of criminal appeals	706
<b>4,174 Balance at 30 June</b>	<b>706</b>

**Note 9: Property, plant and equipment**

	Leasehold improvements \$000	Office equipment \$000	Library \$000	Furniture and fittings \$000	Computer equipment \$000	Total \$000
<b>Cost</b>						
<b>Balance at 1 July 2012</b>	2,938	608	815	1,197	1,466	7,024
Additions	1,426	363	-	1,211	341	3,341
Disposals	(2,938)	(481)	-	(976)	(606)	(5,001)
<b>Balance at 30 June 2013</b>	<b>1,426</b>	<b>490</b>	<b>815</b>	<b>1,432</b>	<b>1,201</b>	<b>5,364</b>
<b>Balance at 1 July 2013</b>	<b>1,426</b>	<b>490</b>	<b>815</b>	<b>1,432</b>	<b>1,201</b>	<b>5,364</b>
Additions	147	93	-	24	149	413
Disposals	-	-	(815)	-	(12)	(827)
<b>Balance at 30 June 2014</b>	<b>1,573</b>	<b>583</b>	<b>-</b>	<b>1,456</b>	<b>1,338</b>	<b>4,950</b>
<b>Accumulated depreciation and impairment losses</b>						
<b>Balance at 1 July 2012</b>	2,559	558	782	1,151	1,344	6,394
Depreciation expense	380	9	11	33	102	535
Elimination on disposal	(2,938)	(481)	-	(976)	(606)	(5,001)
<b>Balance at 30 June 2013</b>	<b>1</b>	<b>86</b>	<b>793</b>	<b>208</b>	<b>840</b>	<b>1,928</b>
<b>Balance at 1 July 2013</b>	<b>1</b>	<b>86</b>	<b>793</b>	<b>208</b>	<b>840</b>	<b>1,928</b>
Depreciation expense	240	95	22	253	165	775
Elimination on disposal	-	-	(815)	-	(12)	(827)
<b>Balance at 30 June 2014</b>	<b>241</b>	<b>181</b>	<b>-</b>	<b>461</b>	<b>993</b>	<b>1,876</b>
<b>Net carrying amount</b>						
At 30 June and 1 July 2012	379	50	33	46	122	630
At 30 June 2013	1,425	404	22	1,224	361	3,436
<b>At 30 June 2014</b>	<b>1,332</b>	<b>402</b>	<b>-</b>	<b>995</b>	<b>345</b>	<b>3,074</b>

Given the nature of its library collection, Crown Law has changed its accounting policy for its library collection assets so that they are expensed rather than capitalised. This is expected to result in the financial statements providing reliable and more relevant information.

#### Note 10: Intangible assets

	Acquired software \$000
<b>Cost</b>	
<b>Balance at 1 July 2012</b>	2,317
Additions	11
Disposals	(295)
<b>Balance at 30 June 2013</b>	<b>2,033</b>
<b>Balance at 1 July 2013</b>	2,033
Additions	39
Disposals	(190)
<b>Balance at 30 June 2014</b>	<b>1,882</b>
<b>Accumulated amortisation and impairment losses</b>	
<b>Balance at 1 July 2012</b>	1,983
Amortisation expense	185
Elimination on disposal	(295)
<b>Balance at 30 June 2013</b>	<b>1,873</b>
<b>Balance at 1 July 2013</b>	1,873
Amortisation expense	154
Elimination on disposal	(190)
<b>Balance at 30 June 2014</b>	<b>1,837</b>
<b>Net carrying amount</b>	
At 30 June and 1 July 2012	334
At 30 June 2013	160
<b>At 30 June 2014</b>	<b>45</b>

There are no restrictions over the title of Crown Law's intangible assets, nor are any intangible assets pledged as security for liabilities.

#### Note 11: Creditors and other payables

Actual 2013 \$000		Actual 2014 \$000
7,112	Trade creditors – Crown Solicitors' fees	165
2,982	Trade creditors – Other	593
311	Other accrued expenses – Unbilled Crown Solicitors' fees	3,826
278	Other accrued expenses	387
	- GST payable	136
<b>10,683</b>	<b>Total creditors and other payables</b>	<b>5,107</b>

Trade creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

**Note 12: Employee entitlements**

Actual 2013 \$000		Actual 2014 \$000
<b>Current liabilities</b>		
773	Personnel accruals	499
1,313	Annual leave	917
67	Retirement and long service leave	78
<b>2,153</b>	<b>Total current portion</b>	<b>1,494</b>
<b>Non-current liabilities</b>		
119	Retirement and long service leave	188
<b>119</b>	<b>Total non-current portion</b>	<b>188</b>
<b>2,272</b>	<b>Total employee entitlements</b>	<b>1,682</b>

Annual leave and vested long service leave are calculated using the number of days owing as at 30 June 2014.

Retirement leave and long service leave that are due or expected to be paid within the next 12 months are based on the days owing as at 30 June 2014.

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 staff have grand-parented long service leave arrangements prior to the above agreement.

The measurement of the unvested long service leave and retirement obligation depends 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 salary inflation factor.

The Treasury advised that the discount rates in year 1 of 3.70%, year 2 of 4.04% and year 3 and beyond of 5.5%, and a long-term salary inflation factor of 3.5% were used. The inflation factor is based on the expected long-term increase in remuneration for employees. Any changes in these assumptions will affect the carrying amount of the liability.

**Note 13: Provisions**

Actual 2013 \$000	Actual 2014 \$000
Current portion	
156 Restructuring	-
- Conduct of criminal appeals	706
<b>156 Total provision</b>	<b>706</b>

Restructuring	\$000
<b>Balance at 1 July 2013</b>	<b>156</b>
Additional provisions made	-
Amounts used	(156)
Unused amounts reversed	-
<b>Balance at 30 June 2014</b>	<b>-</b>

The restructuring provision arose from the office restructuring project in 2012/13 and related to the cost of expected redundancies.

Conduct of Criminal appeals	\$000
<b>Balance at 1 July 2013</b>	<b>-</b>
Additional provisions made	706
Amounts used	-
Unused amounts reversed	-
<b>Balance at 30 June 2014</b>	<b>706</b>

At 30 June 2014, Crown Law made a provision for a court awarded cost against the Crown based on the advice of the external solicitor and cost expert. In August 2014, the parties reached the settlement of \$706,000.

**Note 14: Return of operating surplus**

Actual 2013 \$000	Actual 2014 \$000
88 Surplus/(Deficit) from Statement of Comprehensive Income	(644)
2,069 Transfer loss to taxpayer funds Memorandum Account: Legal advice and representation	806
(146) Transfer loss to taxpayer funds Memorandum Account: Government Legal Network	666
(21) Transfer loss to taxpayer funds Memorandum Account: Processing of Queen's Counsel Applications	1
<b>1,990 Provision for repayment of surplus to the Crown</b>	<b>829</b>

Approval was obtained in April 2014 for an in-principal expense transfer of up to \$1.2 million from 2013/14 to 2014/15 for the MCOA output class: Conduct of Crown Prosecutions. The actual surplus is \$0.690 million.

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

## Note 15: Equity

Actual 2013 \$000		Actual 2014 \$000
<b>Taxpayers' funds</b>		
1,767	<b>Balance at 1 July</b>	1,767
	- Transfer from Revaluation Reserve	296
88	Net surplus/(deficit)	(644)
	- Capital contribution	-
	- Retained surplus	-
1,902	Transfer to memorandum accounts	1,473
(1,300)	Creditor Crown (Approved in-principal transfer)	(690)
(690)	Return of operating surplus to the Crown	(139)
<b>1,767</b>	<b>Balance at 30 June</b>	<b>2,063</b>
<b>Memorandum account: Legal advice and representation</b>		
5,406	<b>Balance at 1 July</b>	3,222
	- Capital injection for memorandum account surpluses previously repaid to the Crown	-
(115)	Transfer to Memorandum Account: Government Legal Network	(500)
<b>5,291</b>	<b>Adjusted opening balance at 1 July</b>	<b>2,722</b>
(2,069)	Net memorandum account surpluses/(deficits) for the year	(806)
	- Return of surplus to the Crown	-
<b>3,222</b>	<b>Balance at 30 June</b>	<b>1,916</b>
<b>Memorandum account: Government Legal Network</b>		
	- <b>Balance at 1 July</b>	261
115	Transfer from Memorandum Account: Legal advice and representation	500
<b>115</b>	<b>Adjusted opening balance at 1 July</b>	<b>761</b>
146	Net memorandum account surpluses/(deficits) for the year	(666)
	- Return of surplus to the Crown	-
<b>261</b>	<b>Balance at 30 June</b>	<b>95</b>
<b>Memorandum account: Processing of Queen's Counsel applications</b>		
	- <b>Balance at 1 July</b>	21
21	Net memorandum account surpluses/(deficits) for the year	(1)
	- Return of surplus to the Crown	-
<b>21</b>	<b>Balance at 30 June</b>	<b>20</b>
<b>Revaluation reserves</b>		
296	<b>Balance at 1 July</b>	296
	- Transfer of Revaluation Reserve to Retained Surplus	(296)
<b>296</b>	<b>Balance at 30 June</b>	<b>-</b>
<b>5,567</b>	<b>Total equity as at 30 June</b>	<b>4,094</b>

**Note 16: Reconciliation of net surplus/deficit to new cash flow from operating activities**

Actual 2013 \$000	Actual 2014 \$000
<b>88 Net operating surplus/(deficit)</b>	<b>(644)</b>
720 Depreciation and amortisation expense	929
<b>720 Total non-cash items</b>	<b>929</b>
<b>Working capital movements</b>	
(4,507) (Increase)/decrease in debtors and receivables	5,896
334 (Increase)/decrease in prepayments	(7)
677 Increase/(decrease) in creditors and payables	(6,876)
45 Increase/(decrease) in employee entitlements	(659)
(290) Increase/(decrease) in provision	550
<b>(3,741) Working capital movements – net</b>	<b>(1,096)</b>
<b>Movements in non-current liabilities</b>	
(30) Increase/(decrease) in employee entitlements	69
<b>(30) Movements in non-current liabilities</b>	<b>69</b>
<b>Add/(less) investing activity items</b>	
- Net (gain)/loss on disposal of property, plant and equipment	0
- <b>Total investing activity items</b>	<b>0</b>
<b>(2,963) Net cash flow from operating activities</b>	<b>(742)</b>

**Note 17: 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.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates' exchange 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 debtors, deposits with banks and derivative financial instrument assets.

Crown Law is only permitted to deposit funds with Westpac, a registered bank with a credit rating of Standard & Poors AA-, Fitch AA-, and Moody's Aa3.

**Note 17: Financial instrument risks (continued)**

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, net debtors (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 withdrawals 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 that will be settled based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Notes	Less than 6 months \$000	Between 6 months and 1 year \$000	Between 1 and 5 years \$000	Over 5 years \$000
<b>2013</b>					
Creditors and other payables	11	10,683	-	-	-
Derivative financial instrument liabilities		-	-	-	-
Finance leases		-	-	-	-
<b>2014</b>					
Creditors and other payables	11	5,107	-	-	-
Derivative financial instrument liabilities		-	-	-	-
Finance leases		-	-	-	-

**Note 18: Financial instruments**

The carrying amounts of financial assets and financial liabilities in each of the NZ IAS 39 categories are as follows:

Actual 2013 \$000		Actual 2014 \$000
<b>Cash and receivables</b>		
7,212	Cash and cash equivalents	5,328
4,355	Debtors and other receivables	2,878
951	GST receivable	-
<b>12,518</b>	<b>Total cash and receivables</b>	<b>8,206</b>
<i>Financial liabilities measured at amortised cost</i>		
10,683	Creditors and other payables	5,107
<b>10,683</b>	<b>Total creditors and other payables</b>	<b>5,107</b>



## Note 19: Related party information

All related party transactions have been entered into on an arm's-length basis.

Crown Law enters into transactions with the Crown, other departments and ministries, Crown entities and state-owned enterprises on an arm's-length basis. Those transactions that occur are within the normal legal provider client relationship on terms and conditions no more or less favourable than those reasonably expected that Crown Law would have adopted if dealing with other clients.

Crown Law is a wholly-owned entity of the Crown. The Government significantly influences the roles of Crown Law as well as being its major source of revenue.

### Significant transactions with government-related entities

Crown Law has received funding from the Crown of \$43.959 million (2013: \$50.948 million) to provide legal services to the Crown for the year ended 30 June 2014.

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

The Cabinet Directions for the Conduct of Crown Legal Business 2012 (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 2014, Crown Law has provided legal services to departments and government entities in the amount of \$15.124 million (2013: \$16.798 million).

In conducting its activities, Crown Law is required to pay various taxes and levies (such as GST, FBT, PAYE and ACC levies) to the Crown and entities related to the Crown. The payment of these taxes and levies, other than income tax, is based on the standard terms and conditions that apply to all tax and levy payers. Crown Law is exempt from paying income tax.

Crown Law also purchases goods and services from entities controlled, significantly influenced or jointly controlled by the Crown. Purchases from these government-related entities for the year ended 30 June 2014 totalled \$1.753 million (2013: \$0.475 million). These purchases included the purchase of electricity from Genesis, air travel from Air New Zealand, court filing fees from Ministry of Justice, postal and courier services from New Zealand Post, office lease from Ministry of Justice and Serious Fraud Office, and other services from Land Information New Zealand, Department of Internal Affairs, Ministry of Business Innovation and Employment, State Service Commission, and New Zealand Defence Force.

Crown Law did not provide legal services to the Office of the Auditor-General for the year ended 30 June 2014 (2013: \$405).

### Transactions with key management personnel

#### Key management personnel compensation

Actual 2013 \$000		Actual 2014 \$000
1,768	Salaries and other short-term employee benefits	1,876
60	Post-employment benefits	69
-	- Other long-term benefits	-
-	- Termination benefits	-
<b>1,828</b>	<b>Total key management personnel compensation</b>	<b>1,945</b>

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 either State Sector Retirement Savings Scheme or KiwiSaver.

**Note 19: Related party information (continued)**

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 20: Capital management**

Crown Law's capital is its equity (or taxpayers' funds), which comprises general funds and revaluation reserves. Equity is represented by net assets.

Crown Law manages its revenue, expenses, assets, liabilities and general financial dealings prudently. Crown Law's equity is largely managed as a by-product of managing income, 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 Crown Law effectively achieves the goals and objectives for which it has been established, whilst remaining a going concern.

**Note 21: Memorandum account: Legal advice and representation**

Actual 2013 \$000		Actual 2014 \$000
5,406	Opening balance at 1 July	3,222
(115)	Transfer to Memorandum Account: Government Legal Network	(500)
17,489	Revenue	15,117
(19,558)	Less expenses	(15,923)
(2,069)	Surplus/(deficit) for the year	(806)
<b>3,222</b>	<b>Closing balance at 30 June</b>	<b>1,916</b>

The opening balance of \$3.222 million is the retention of 2007/08 surplus (\$870,000), 2008/09 surplus (\$946,000), 2009/10 surplus (\$878,000), 2010/11 surplus (\$1.174 million), and 2011/12 surplus (\$1.538 million), 2012/13 deficit (\$2.069 million) arising from legal advice and representation services, and a transfer of \$115,000 to the memorandum account: Government Legal Network in 2012/13. The account made a deficit of \$0.806 million in 2013/14.

This account summarises financial information relating to the accumulated surpluses and deficits incurred in the provision of legal advice and representation services to central government departments and Crown agencies by Crown Law.

These transactions are included as part of Crown Law's operating income and expenses in the surplus/deficit, however, effective 1 July 2011, these transactions will be excluded from the calculation of Crown Law's return of operating surplus (refer Note 14). The cumulative balance of the surplus/(deficit) of the memorandum accounts is recognised as a component of equity (refer Note 15).

The balance of the memorandum account is expected to trend toward zero over a period of time, with interim deficits being met either 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.

**Action taken to address surpluses and deficits**

A revised fee strategy is currently being developed 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 current year and the next two financial years from this memorandum account to the memorandum account: Government Legal Network to cover the set up and operating costs of the Government Legal Network.

#### Note 22: Memorandum account: Government Legal Network

Actual 2013 \$000	Actual 2014 \$000
- Opening balance at 1 July	261
115 Transfer from Memorandum Account: Legal advice and representation	500
382 Revenue	12
(236) Less expenses	(678)
146 Surplus/(deficit) for the year	(666)
<b>261 Closing balance at 30 June</b>	<b>95</b>

This memorandum account was established during 2012/13.

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

#### Note 23: Memorandum account: Processing of Queen's Counsel applications

Actual 2013 \$000	Actual 2014 \$000
- Opening balance at 1 July	21
45 Revenue	38
(24) Less expenses	(39)
21 Surplus/(deficit) for the year	(1)
<b>21 Closing balance at 30 June</b>	<b>20</b>

This memorandum account was established during 2012/13.

#### Note 24: Events after balance date

At 30 June 2014, Crown Law made a provision for a court awarded cost against the Crown based on the advice of the external solicitor and cost expert. In August 2014, the parties reached the settlement of \$706,000. The statement of comprehensive income and statement of financial position have been adjusted to reflect the settlement occurred after the balance date.

There have been no other significant events after the balance date.

## Note 25: Explanation of major variances against budget

Explanations for major variances from Crown Law's budgeted figures in the Information Supporting the Estimates are as follows:

### Statement of Comprehensive Income

#### *Income from the Crown*

Income from the Crown was greater than budgeted by \$2.006 million, due to:

- an in-principal transfer of \$1.300 million from 2012/13 to 2013/14; and
- a provision of \$0.706 million Crown revenue made at year end to fund a court awarded cost against the Crown.

#### *Personnel costs*

Personnel costs were less than budgeted by \$2.211 million because of decreased staff numbers and remuneration changes as a result of the organisation restructure project in 2012/13. The budget was prepared prior to the restructure decisions being finalised.

### Statement of Financial Position

#### *Cash and cash equivalents*

Cash and cash equivalents were less than budgeted by \$1.316 million, mainly due to:

- payment of \$3.000 million of Crown Solicitor work in progress bills in July 2013; and offset by,
- reduced debtors and other receivables of \$0.922 million.

#### *Debtors and other receivables*

Debtors and other receivables were less than budgeted by \$0.922 million due to improved debt management processes initiated during the year.

#### *Debtor Crown*

Debtor Crown was greater than budgeted by \$0.706 million due to payment to be received at balance date from the Crown to fund a court awarded cost.

#### *Provisions*

Provisions were greater than budgeted by \$0.706 million due to a provision of \$0.706 million made at year end to fund a court awarded cost against the Crown. The court awarded cost was settled and paid in August 2014.

### Statement of Cash Flows

#### *Receipts from the Crown*

Receipts from the Crown were more than budgeted by \$1.174 million due to the drawdown of the \$1.174 million return of 2010/11 memorandum account surplus that was not included in the budget.

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