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**Report of the**  
**Crown Law Office**  
**for the year ended**  
**30 June 2003**

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*Presented to the House of Representatives  
pursuant to Section 39 of the Public Finance Act 1989.*



# CROWN LAW OFFICE

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# **CROWN LAW OFFICE**

## **Directory**

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### **Auditor**

Audit New Zealand  
Wellington  
(on behalf of the Auditor-General)

### **Bankers**

Westpac Banking Corporation  
Wellington

# **CROWN LAW OFFICE**

## **Statement of Purpose**

The Crown Law Office provides legal advice and representation services to the government in matters affecting the executive government, particularly in the areas of criminal, public and administrative law. The services provided include such matters as judicial review of government actions, constitutional questions including Treaty of Waitangi issues, the enforcement of criminal law, and protection of the revenue. The Office administers the prosecution process in the criminal justice system, in particular, trials on indictment before juries.

The Office has two primary purposes in providing these services:

- to ensure that the operations and responsibilities of the executive government are conducted lawfully, and
- to ensure that the government is not prevented, through legal process, from lawfully implementing its chosen policies and discharging its governmental responsibilities.

## **Functions of the Crown Law Office**

The primary function of the Crown Law Office is to provide support to the two Law Officers of the Crown, the Attorney-General and the Solicitor-General, in the performance of their statutory duties and functions. In particular, the Office is responsible for:

- the provision of legal advice and legal representation services to Ministers of the Crown, government departments, and agencies forming part of the government;
- supporting and assisting the Attorney-General and Solicitor-General in the performance of their statutory and other functions as Law Officers of the Crown;
- assisting the Solicitor-General with the conduct of criminal appeals;
- assisting the Solicitor-General in the supervision, direction and performance of regional Crown Solicitors in their prosecution functions including administration of the Crown Solicitor's Regulations 1994; and
- providing advice on the establishment and development of legal service provision within government departments and agencies.

The Office does not have any specific responsibility for policy formation or for the development of legislation but is often called upon to provide comment to the government on proposed developments in the law particularly on Criminal and Bill of Rights related issues.

## CROWN LAW OFFICE

### Key Government Goals

The Crown Law Office contributes to the key government goals which have been established to guide public sector policy and performance. In particular, the Office's functions are directed towards restoring trust in government by building safe communities and through the promotion of a strong and effective public service. Achievement of these goals are assisted by the contribution made by the Office to:

- protecting the Crown's legal interests,
- supporting the responsibilities of the Crown and its agencies,
- the maintenance of law and order, and
- the maintenance of public interest factors in the application of the law

The appropriations in Vote Attorney-General provide for the purchase of the following services:

- Legal advice and representation services to central government departments and Crown agencies
- A national Crown prosecution service which undertakes criminal trials on indictment, and appeals arising out of summary prosecutions
- Conduct of appeals arising from criminal trials on indictment and from Crown appeals against sentence
- Legal and administrative services for the Attorney-General and Solicitor-General in the exercise of Principal Law Officer functions

The relationship of these services to the key Government goals is set out in the following table:

<b>Output Classes</b> (of Vote Attorney-General)	<b>Key Government Goals</b>
Legal Advice and Representation	Contributes to promoting a strong and effective public service by protecting the legal interests and the responsibilities of the Crown and Crown agencies.
Supervision and Conduct of Crown Prosecutions	Contributes to building safe communities by assisting in the maintenance of law and order.
Conduct of Criminal Appeals	Contributes to building safe communities by assisting in the maintenance of law and order.
The Exercise of Principal Law Officer Functions	Contributes to building safe communities by assisting in the maintenance of law and order and contributing to the maintenance of public interest factors in the application of the law.

The Output Classes referred to above comprise the key result areas for the Office. Progress in these areas is described in more detail in the Financial Statement section of this report under Statement of Objectives and Service Performance.

# CROWN LAW OFFICE

## Chief Executive's Overview

The Crown Law Office has continued to perform its role of providing support to the Attorney-General and Solicitor-General in the discharge of their responsibilities as the Law Officers of the Crown. This role encompasses the provision of legal advice to Ministers, government departments and agencies, often on complex and urgent matters, and the conduct of litigation on behalf of the Crown, generally in the name of the Attorney-General. The matters in which the Office was involved during the year have covered a wide variety of issues and areas of the law. A selection of these matters, which demonstrate the nature of work undertaken by the Office, have been summarised below:

### Legal Advice and Representation

#### *Airport Price Control Inquiry*

The Office represented the Commerce Commission in *Wellington International Airport Limited (WIAL) v Commerce Commission* in which WIAL sought to require the Commission to undertake further consultation on questions arising out of the Commission's price control inquiry into airfield activities in New Zealand's three major international airports (Auckland, Wellington, Christchurch). WIAL's challenge raised questions about the scope of consultation obligations, as well as the interrelationship between consultation and commercial confidentiality. WIAL was unsuccessful in the High Court.

#### *Charges for Border Control Services*

The Privy Council overturned the Court of Appeal decision in *Waikato Regional Airport & Ors v Attorney-General*, which had upheld the legality of the Ministry of Agriculture and Forestry's border control services charging regime at regional airports. The key issue in this case was whether a charging regime which differentiated between metropolitan airports (Auckland, Wellington, and Christchurch) and the regional airports (Hamilton, Palmerston North, and Dunedin) was in accordance with equitable principles as required by section 135 of the Biosecurity Act 1993. The Privy Council considered that the Ministry had taken into account irrelevant considerations when making its decision, and that the charging regime was inequitable.

#### *Employment Law Trends*

The Office's Employment team provided a wide range of assistance to clients during the year under review. This assistance ranged from providing representation for departments at personal grievances before the Mediation Service, the Employment Relations Authority and the Employment Court, to providing strategic advice on the management of industrial issues including strikes and organisational restructuring.

Litigation of note included an appearance before the Court of Appeal on the proper approach to holiday pay in the meat industry (*Greenlea Premier Meats Limited v Horn*), and *Tipene v Attorney General*, a case involving constitutional issues relating to the employment of a judicial associate, (presently the subject of an application for leave to appeal to the Court of Appeal). Finally, the Office represented the employer defendant in *Murray v AG*, where the Employment Court reached the important conclusion that, in the exercise of its equity and good conscience jurisdiction, it would not permit the plaintiffs to complain about the termination of their employment when their earlier wrongdoing came to light.

## CROWN LAW OFFICE

### Chief Executive's Overview - continued

#### *Fisheries: Quotas, Cockles Stock, and Scampi Inquiries*

In *Kellian & Others v Minister of Fisheries & Others* the plaintiffs challenged the introduction of various fish stocks into the Quota Management System in circumstances where their quota allocations would be based on their catch histories from 1990-92 rather than their current, and higher, catch levels. The High Court and Court of Appeal both dismissed the plaintiffs' challenge: they agreed that there was no obligation to defer entry of those stocks into the QMS so that the Government could adopt a different management regime which would result in more favourable quota allocations for those fishers.

The plaintiff in *Westhaven Shellfish v Chief Executive, Ministry of Fisheries* challenged a decision not to permit it to fish the cockles stock around Otago, in part on the basis that a statutory moratorium on the issue of new fishing permits did not bar its application. Westhaven's interpretation of the moratorium provision was upheld. As a result several other fishers are also entitled to add new fish stocks to their permits.

Advice was provided to the Ministry of Fisheries on the fisheries cost recovery legislation to assist in resolving the historic over and under recovery of costs from 1994 to 2001 in the fishing industry. Agreement was reached in a joint working group comprised of officials of the Ministry of Fisheries and the Fishing Industry providing for a credit back to the fishing industry of \$23 million.

The Office also provided assistance to the Ministry of Fisheries, which was involved in two inquiries into the management of the commercial scampi fishery by the Ministry of Agriculture and Fisheries (the Ministry of Fisheries from 1995). These inquiries, which commenced in November 2002, arose as a result of allegations of corruption and impropriety in the Ministries from the 1980s to the late 1990s relating to enforcement of the fisheries rules in the scampi fishery and the issuing of scampi fishing permits. The inquiries focused on events from about 1986 through to 2003.

The Primary Production Select Committee inquiry commenced hearing evidence in February 2003. Its terms of reference established it to consider the administration and management of the scampi fishery, including the development of the current policy for the allocation of quota.

The State Services Commissioner's inquiry began hearing evidence in April 2003. It considered the allegations of corruption and impropriety in relation to the scampi fishery. The Inquiry specifically focused on recommendations for current management within the Ministry of Fisheries. It did not consider the appropriateness of fisheries legislation or Government fisheries policy.

#### *Genetic Modification Developments*

Mothers Against Genetic Engineering (MAdGE) brought judicial review proceedings against the Minister for the Environment and the Environmental Risk Management Authority (ERMA) in relation to decisions on trans-generic cattle to be field tested by AgResearch. The High Court found that ERMA was an expert body and had applied the appropriate tests. The Minister for the Environment was able to decide not to "call in" the application, although the Court recommended improved processes.



## CROWN LAW OFFICE

### Chief Executive's Overview - continued

#### *Human Rights Issues*

Advice is regularly provided to the Department for Corrections concerning issues that arise in the management and administration of sentences of imprisonment. A recent application to the Privy Council, for leave to appeal the Court of Appeal's interpretation of the scope of habeas corpus in relation to prison sentences, was successfully opposed.

#### *Immigration*

A number of immigration proceedings were "settled" during the year through a managed voluntary departure arrangement, the voluntary reconsideration of a previous decision, or through the grant of a permit. Other proceedings were heard in the courts, including *S K Rajan & Ors v Minister of Immigration*, which was heard in the Court of Appeal. This case, which concerned the three-month time limit for judicial review of immigration cases under s 146A of the Immigration Act, resulted in a decision of the Minister of Immigration being upheld and the appeal dismissed with costs awarded to the Crown. The Court of Appeal indicated that, in general, the courts ought not to embark on any detailed consideration of the merits of the (intended) application for judicial review when exercising the discretion to allow further time beyond the usual three month period.

#### *Leaky Buildings*

The Building Industry Authority has been sued in the High Court in four separate proceedings concerning leaky homes. Although the claims against the Authority vary in each proceeding, they essentially relate to an alleged failure to take action earlier on the leaky building crisis, when it is alleged it had knowledge on which it should have acted. The claims include allegations that the Authority did not properly monitor the building certifiers or Territorial Authority involved. The first of the proceedings filed is likely to be heard in 2004.

#### *Mining Licences*

In *Glenharrow Holdings Limited v Attorney-General and Te Runanga O Ngai Tahu* the Crown worked successfully with Ngai Tahu to convince the Court of Appeal that a mining licence for serpentine and bowenite (pounamu) with a ten year term could not be renewed under the repealed Mining Act 1971 and, as the term was not a condition, it could be varied. This decision is now under appeal to the Privy Council.

#### *Social Workers: Duty of Care*

In *B v Attorney-General* the liability of the Crown for an alleged wrongful investigation of a claim of sexual abuse of a 5-year-old child in 1988 was at issue. The claimants were the alleged abuser (a father) and his two daughters (who were thought to have been abused). The claims had been challenged through a strike-out application, and had been struck out in both the High Court and the Court of Appeal. The matter was appealed to the Privy Council, and Their Lordships held that the daughters' claim should not have been struck out but agreed that the father's claim was properly struck out. Their Lordships held on the basis of *Attorney-General v Prince & Gardiner* that if there was a duty of care based on s 5 of the Children and Young Persons Act 1974 then that duty extended to a duty to investigate the allegation with due skill and care. It remains to be seen whether the case will proceed to a trial.

## CROWN LAW OFFICE

### Chief Executive's Overview - continued

#### *Special Education Services*

In *Daniels v Attorney-General* the Court of Appeal upheld the Crown's appeal against the High Court's findings that the special education policy, SE2000, breached the rights of children with special needs under ss 3, 8, and 9 of the Education Act 1989. The Court held that the procedure followed by the Minister when deciding to disestablish all special needs units in 1998 was in breach of s 98 of the Education Act 1964. The matter has been referred back to the High Court to determine the issue of any remedies.

#### *Tax Disputes and Tax Avoidance*

The Office continues to provide advice to, and to represent, the Commissioner of Inland Revenue in substantive tax dispute and judicial review proceedings in the Courts from the Taxation Review Authority to the Privy Council. There are a steady number of substantive tax cases with the cases becoming more complex and often involving tax avoidance. The ACTONZ software litigation is an example of this. There has also been a growth of cases dealing with process. An example of this is *Vela Fishing Limited v Commissioner of Inland Revenue* where the invalidity of a tax assessment was at issue. The taxpayer argued that its tax assessment was issued outside the statutory time limit, as the time bar waiver that it had signed was invalid. The Privy Council upheld the Court of Appeal in finding that the time bar waiver was valid.

#### *Treaty of Waitangi: Historical Claims Settlement and Contemporary Issues*

Advice to the Office of Treaty Settlements about Treaty negotiations for the settlement of historical claims continues, with a particular focus on Central North Island claims involving large areas of forestry land. A large number of historical claims are in process before the Waitangi Tribunal: Top of the South Island; Urewera; Central North Island; Wairarapa; and Whanganui. The Office has been working with claimant representatives, the Office of Treaty Settlements and the Tribunal in an effort to further streamline the Tribunal's hearing process and better align it with settlement negotiations.

The Office successfully defended the Crown's approach to the use of forest licensed land in the Ngati Awa historical claims settlement before the Court of Appeal. The Court found that the Crown's proposed legislated settlement was not justiciable.

Ongoing advice has been provided to the Ministry of Fisheries and Te Puni Kokiri on issues associated with the Treaty of Waitangi Fisheries Commission's task to allocate fisheries assets which it holds for Maori. The Minister of Fisheries accepted the Commission's proposals in June 2003 and the Office has since defended applications for interim relief to prevent further steps towards legislating the allocations proposals. A decision from the High Court is currently awaited.

The Office has been providing advice to government on implications of the Court of Appeal's decisions on the foreshore and seabed in the *Marlborough Sounds* case delivered on 19 June 2003.

Many contemporary issues now result in an interplay between the Treaty of Waitangi and other areas of the law. For example, the reform of legislation relating to the establishment of marine reserves is raising both Treaty of Waitangi and international law issues. In other areas, the Bill of Rights is being used to help address Treaty of Waitangi issues.

# **CROWN LAW OFFICE**

## **Chief Executive's Overview - continued**

### **Crown Prosecution System**

The Solicitor-General is responsible to the Attorney-General for the administration of the Crown Prosecution System from the time of indictment, which is the stage following committal for trial after a preliminary hearing. Crown Solicitors, who are appointed by the Governor-General, have responsibility for prosecutions in those centres where High Court and District Court jury trials are conducted. The Crown Solicitor network continues to be a very important and integral part of the national Crown prosecution system. The Crown Law Office works closely with Crown Solicitors to provide Government with the assurance that the systems and processes in place are cost effective and will result in outcomes which meet the expectations of Government and the community. Providing this assurance presents an ongoing challenge, particularly given the demand driven nature of the activity.

### **Financial Highlights**

The year under review has seen a continuation of high levels of activity from all areas of the Office. The Office recorded an overall deficit of \$0.281m, against a surplus in the previous year of \$1.116m. The deficit included a surplus of \$0.134m (2002 \$0.580m) from the provision of legal services to government department and agencies (Output Class 1: Legal Advice and Representation). The Office has again exceeded the budget appropriated for expenditure in Output Class 1: Legal Advice and Representation. The circumstances leading to this level of expenditure are explained in the financial statements that follow this report.

Expenditure on Crown prosecutions exceeded the appropriation by \$0.350m or 1.5% in spite of continued efforts to improve the forecasting of this, largely demand based, expenditure. A project is being undertaken in 2003/04 to investigate in more depth, the key influences on this expenditure with the aim of providing more accurate estimates of expenditure in the future.

### **The Year Ahead**

The Office remains committed to providing responsive, high quality and timely advice and representation services to its clients. The capability of the Office, in terms of people, resources, systems and structures, to achieve this level of service has been set out in the Office's first Statement of Intent for 2003/04. The Statement also considers the challenges facing government in the next period by reference to a number of emerging legal issues and associated risks. The Office's base of expertise in public and administrative law will continue to be essential to meeting the demands of servicing the legal business of government in the year to come.

Terence Arnold

**Solicitor-General and Chief Executive**

# CROWN LAW OFFICE

## Organisation Information

### Governance Structure

The Crown Law Office is a government department whose primary function is to support the two Law Officers of the Crown: the Attorney-General and the Solicitor-General, in the performance of their statutory duties and functions.

The Attorney-General, who concurrently holds offices as a Minister of the Crown with political responsibilities and as the senior Law Officer of the Crown, has principal responsibility for the government's administration of the law.

The Solicitor-General is Chief Executive of the Crown Law Office, and is the chief legal advisor to the government, subject to any views expressed by the Attorney-General. In this capacity, the Solicitor-General is the government's chief advocate in the courts. In addition, the Solicitor-General is responsible for the conduct of the prosecution of indictable crime. The Solicitor-General also has a number of specific statutory duties and functions to perform.

### Organisation Structure

The Crown Law Office is organised into three practice groups, which are focused on the delivery of specialist legal services to government covering the following core areas of business:

- Constitutional advice and litigation including Treaty of Waitangi work, advice on international human rights obligations, bill of rights, and constitutional conventions
- The conduct of Crown prosecutions and criminal appeals
- Public Law issues which, for example, arise out of the exercise and control of governmental power and public sector governance

The practice group structure is designed to enable better co-ordination of work, to enable improved sharing of resources across teams, and to improve the capacity to serve Ministers and clients. A Deputy Solicitor-General is responsible for the professional leadership and management of each practice group. Within each practice group, there are a number of specialist client service teams. A Crown Counsel, in the role of Team Leader, has responsibility for the development and management of staff in each team and is also the principal contact point for clients of the team. Each team is staffed with further Crown Counsel, Associate Crown Counsel, Assistant Crown Counsel, and Litigation and Secretarial Support staff. The current Group/Team structure comprises:

Practice Group	Legal Teams
Constitutional Group	Employment Team Human Rights Team Law Officer Team Treaty Issues and International Law Team
Criminal Process Group	Criminal and Crown Solicitors Team
Public Law Group	Governmental Business Team Land and Resource Management Team Taxation and Public Revenue Team

# CROWN LAW OFFICE

## Organisation Information - continued

### Management Structure

The Senior Management Group of the Crown Law Office, comprises:

Terence Arnold QC	Solicitor-General
Helen Aikman	Deputy Solicitor-General (Constitutional) and Team Leader of Law Officer Team
Karen Clark	Deputy Solicitor-General (Public Law)
Nicola Crutchley	Deputy Solicitor-General (Criminal Law) and Team Leader of Criminal and Crown Solicitors Team
Robin Turner	Practice Manager

#### *Other Legal Team Leaders:*

Bronwyn Arthur	Crown Counsel, Land and Resource Management
James Coleman	Crown Counsel, Taxation and Public Revenue
Simon France	Crown Counsel, Human Rights
Peter Gunn	Crown Counsel, Employment and Education
Virginia Hardy	Crown Counsel, Treaty Issues and International Law
Grant Liddell	Crown Counsel, Governmental Business

### Human Resource Management

During 2002/03 the overall permanent staffing of the Office remained unchanged from the previous year. The number of employees permanently employed at year end were as follows:

	30 June 2003	30 June 2002
Solicitor-General, Deputy Solicitors-General and Practice Manager	5	4
Counsel	65	66
Legal Support	15	14
Secretarial and Word Processing	32	32
Corporate Services Group	20	21
Total Number of Employees*	137	137

(\*Part time and job share arrangements are included in these numbers)

In common with other professional services organisations, the Office's human resource management policies, procedures and systems are aimed at attracting and retaining skilled and experienced staff who have a focus on client service.

### Equal Employment Opportunities

The Crown Law Office is committed to providing equal employment opportunities for all staff and for prospective employees who seek to join the Office. The responsibilities for being a "good employer" are recognised through the development and implementation of employment policies and procedures which are designed to ensure that staff are able to work in a safe and healthy office environment, participate fully in achieving the goals of the Office, and are presented with opportunities to develop personally and professionally.

## **CROWN LAW OFFICE**

### **Organisation Information - continued**

The Office continues to make steady progress in addressing the actions set out in its Equal Employment Opportunities (EEO) plan. Specific emphasis has been placed upon strategies in the areas of leadership, employment of EEO target groups, organisational culture, work and family issues and the development of EEO statistics for monitoring purposes. This work has included actions taken following the survey of the Office conducted by the State Services Commission (Career Progression and Development Survey, 2000).

### **Crown Solicitor Network**

There are sixteen private law practitioners holding warrants as Crown Solicitors. Together with their partners and staff solicitors from the practice and the local prosecution panels, Crown Solicitors undertake prosecution work in those centres where District Court and High Court jury trials are conducted.

### **Legislative Responsibilities**

The Crown Law Office administers the Crown Solicitors Regulations 1994 which set out the basis upon which the scale of fees is calculated and the process by which fees are claimed and paid to Crown Solicitors for undertaking Crown prosecution work.

The Cabinet Directions for the Conduct of Crown Legal Business 1993 govern the conduct of legal business between the Law Officers of the Crown, the Crown Law Office and government departments and agencies.

### **Information Systems Management**

Effective use is made of information technology and systems to support the legal advice and representation functions of the Office. Much of the focus of this investment is directed towards the production and management of documents, the conduct of legal research, communication with clients and the management of matters on behalf of those clients. Strategies are in place to ensure that technology and systems are reviewed on a regular basis and updated or replaced where justified.

### **Office Accommodation**

The Office is located in St Paul's Square, Thorndon and occupies three floors plus a mezzanine floor of office accommodation. The premises are under lease until 31 December 2004. In response to the planned need for additional office space, the Office investigated a number of alternate office accommodation options during the past year. A decision was reached, and funding approved, which will enable the Office to relocate to Unisys House with effect from July 2004. An agreement has been entered into to sub lease the balance of the current lease on St Paul's Square.

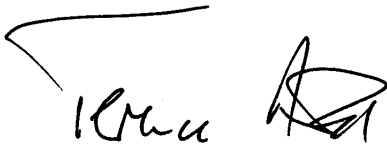
## CROWN LAW OFFICE

### Statement of Responsibility for the year ended 30 June 2003

In terms of sections 35 and 37 of the Public Finance Act 1989 I am responsible, as Chief Executive of the Crown Law Office, for the preparation of the financial statements and the judgments made in the process of preparing those statements.

I have the responsibility of establishing and maintaining, and I have established and maintained, a system of internal control procedures that provide reasonable assurance as to the integrity and reliability of the financial reporting.

In my opinion, these financial statements fairly reflect the financial position and operations of the Crown Law Office for the year ended 30 June 2003.



Terence Arnold  
**Solicitor-General and Chief Executive**

30 September 2003

Countersigned by:



Robin Turner  
**Practice Manager**

30 September 2003



**REPORT OF THE AUDITOR-GENERAL  
TO THE READERS OF THE FINANCIAL STATEMENTS OF  
THE CROWN LAW OFFICE  
FOR THE YEAR ENDED 30 JUNE 2003**

We have audited the financial statements on pages 16 to 45. The financial statements provide information about the past financial and service performance of the Crown Law Office and its financial position as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 29 to 31.

### **Responsibilities of the Solicitor-General**

The Public Finance Act 1989 requires the Solicitor-General to prepare financial statements in accordance with generally accepted accounting practice in New Zealand that fairly reflect the financial position of the Crown Law Office as at 30 June 2003, the results of its operations and cash flows and service performance achievements for the year ended on that date.

### **Auditor's responsibilities**

Section 15 of the Public Audit Act 2001 and section 38(1) of the Public Finance Act 1989 require the Auditor-General to audit the financial statements presented by the Solicitor-General. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Stephen Lucy, of Audit New Zealand, to undertake the audit.

### **Basis of opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- ▲ the significant estimates and judgements made by the Solicitor-General in the preparation of the financial statements; and
- ▲ whether the accounting policies are appropriate to the Crown Law Office's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in the Crown Law Office.



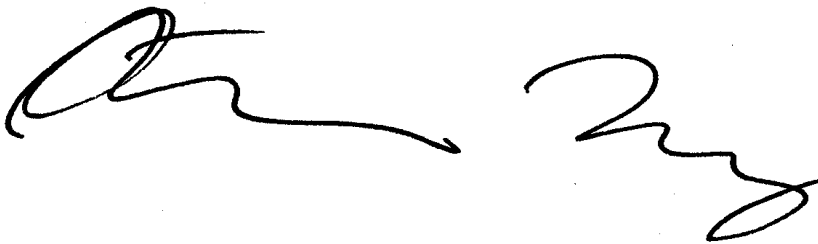
## Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion the financial statements of the Crown Law Office on pages 16 to 45:

- ▲ comply with generally accepted accounting practice in New Zealand; and
- ▲ fairly reflect:
  - the Crown Law Office's financial position as at 30 June 2003;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements in relation to the performance targets and other measures set out in the forecast financial statements for the year ended on that date.

Our audit was completed on 30 September 2003 and our unqualified opinion is expressed as at that date.



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

### **Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of the Crown Law Office for the year ended 30 June 2003 included on the Crown Law Office's website. The Solicitor-General is responsible for the maintenance and integrity of the Crown Law Office's website. We have not been engaged to report on the integrity of the Crown Law Office's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

We have not been engaged to report on any other electronic versions of the Crown Law Office's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 30 September 2003 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 1: Legal Advice and Representation

##### Objective

To provide legal advice and representation services to central government departments and agencies with special emphasis on constitutional and other matters of public and administrative law, including Treaty of Waitangi and revenue issues.

##### Outcome

Contributes to promoting a strong and effective public service by protecting the legal interests and the responsibilities of the Crown and Crown agencies.

##### Financial Performance

(Figures are GST exclusive)

2002 Actual		2003 Actual	2003 Main Estimates	2003 Supp. Estimates
\$000		\$000	\$000	\$000
13,574	Revenue – Other	13,735	13,234	14,235
12,994	Expenditure	13,601	12,410	13,411
580	Net surplus	134	824	824

##### *Explanation of major variations:*

The appropriation for this output class was increased by a net amount of \$1.001 million in the Supplementary Estimates in anticipation of an increased demand for legal advice and representation services. (See also the Statement of Unappropriated Expenditure)

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 1: Legal Advice and Representation - continued

##### Service Performance

##### *Quantity*

2002 Actual	Measures	2003 Actual	2003 Forecast
472	Number of new instructions for legal advice.	538	485:510
783	Average number of requests for legal advice in progress during the year.	802	780:820
560	Number of new instructions in respect of litigation matters.	592	570:600
1,964	Average number of litigation matters in hand.	2,084	1,950:2,050

##### *Explanation of major variations:*

The number of new instructions for legal advice and litigation can be difficult to estimate given the demand based nature of this activity.

##### *Quality and Timeliness*

Measures	Performance
Legal advice, including opinions, and representation services to be provided in accordance with the Office's Professional Standards: Crown Law Advice and Conduct of Litigation, respectively.	Quality assurance review processes have been implemented to ensure compliance with the standards established for legal advice and representation services.
Client satisfaction survey to be conducted among clients seeking feedback on performance in respect of matters selected at random. The survey questions cover a range of service level criteria designed to assess the timeliness and accessibility of advice, quality of advice, and cost effectiveness of advice.	The methodology, targets and results of the client satisfaction survey process for the year ended 30 June 2003 are set out below.

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 1: Legal Advice and Representation - continued

#### Service Performance

#### *Quality and Timeliness - continued*

#### *Client Satisfaction Survey Methodology:*

The Client Satisfaction Survey for the year ended 30 June 2003 asked clients to assess the performance of the Office, on particular matters selected at random, against ten specific service level criteria. The service level criteria included acknowledgement of instructions, responsiveness in meeting instructions and providing reports on progress, achievement of deadlines, extent of client involvement in the matter, the quality and cost effectiveness of advice, and the overall management of the case or matter.

Clients were provided with a pre-determined scale of performance ratings ranging from "exceeding expectations" to "falling short of expectations" in order to make their assessment of performance on a particular matter. To enable comparison with the target levels of performance rating, the scale approximates the following percentile ranges:

"performance has exceeded my needs"	81 to 100%
"performance has fully met my needs"	61 to 80%
"performance has mostly met my needs"	41 to 60%
"performance has only somewhat met my needs"	21 to 40%
"performance has fallen short of my needs"	0 to 20%

#### *Client Satisfaction Survey Results:*

<b>2002 Actual</b>		<b>2003 Actual</b>	<b>2003 Forecast</b>
67	Questionnaires issued	73	40:80
46	Questionnaires returned	40	N/A
81%	Overall satisfaction rating.	81%	80%:90%

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 2: Supervision and Conduct of Crown Prosecutions

##### Objective

To provide a national Crown prosecution service to undertake criminal trials on indictment, and appeals against convictions and sentences arising out of summary prosecutions.

This output class is comprised of three outputs:

- *Crown Prosecution Services* – The provision of a national Crown prosecution service to undertake criminal trials on indictment and related appeals.
- *Supervision of the Crown Solicitor Network* – The supervision of Crown Solicitors responsible for delivering prosecution services in centres throughout New Zealand where District Court and High Court jury trials are conducted.
- *Criminal Law Advice and Services* - The provision of advice on criminal law matters to other government agencies and Crown Solicitors. This includes work in the following areas: proceeds of crime, mutual assistance, blood sampling for DNA, request for Crown appeals arising out of summary prosecutions, consent to prosecute, applications for stays and immunity from prosecution.

##### Outcome

Contributes to building safe communities by assisting in the maintenance of law and order.

##### Financial Performance

(Figures are GST exclusive)

<b>2002 Actual</b>		<b>2003 Actual</b>	<b>2003 Main Estimates</b>	<b>2003 Supp. Estimates</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
21,353	Revenue – Crown	23,052	21,972	23,052
20,924	Expenditure	23,402	21,972	23,052
429	Net surplus (deficit)	(350)	-	-

##### Explanation of major variations:

The appropriation for this output class was increased by an amount of \$1.080 million in the Supplementary Estimates. This was required to meet the demand based increase in expenditure that was forecast for Crown prosecution services. The net deficit of \$350,000 has arisen through a greater than expected number of “high cost” trials being conducted in the last two months of the year.

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 2: Supervision and Conduct of Crown Prosecutions - continued

#### Service Performance – Output 2.1: Crown Prosecution Services

##### *Quantity*

2002 Actual	Measures	2003 Actual	2003 Forecast
	Number of trials for indictable crime:		
1,174	• District Court	1,362	1,100:1,200
147	• High Court	123	160:175
	Number of trials for indictable crime (Cost greater than \$10,000 per trial):		
101	• District Court	133	115:125
121	• High Court	101	120:130
	Number of other criminal matters dealt with by the Crown Solicitors:		
1,080	• Bail Applications and Appeals	989	1,050:1,150
2,052	• Guilty Pleas / Lower Band and Middle Band Sentencing	2,462	1,900:2,100
746	• Appeals relating to Summary Prosecutions	698	700:800

##### *Explanation of major variations:*

There has been a significant increase in the number of trials for indictable crime held in the District Court, offset by a small reduction in the number of High Court trials compared to the estimates for the year. The category of Lower Band Sentencing was added to the Office's Crown Prosecution work from July 2002. This work has resulted in the increased numbers for the category of Guilty Pleas / Lower Band and Middle Band sentencing.

##### *Quality and Timeliness*

Measures	Performance
Prosecution services to be provided in accordance with prosecution guidelines and case management practices developed by the Solicitor-General and judiciary, respectively.	A description of the review methodology, targets and results of the reviews conducted in the year ended 30 June 2003 is set out below under: Service Performance - Supervision of Crown Solicitor Network.

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 2: Supervision and Conduct of Crown Prosecutions - continued

#### Service Performance – Output 2.2: Supervision of Crown Solicitor Network

##### *Quantity*

2002 Actual		2003 Actual	2003 Forecast
1	Number of Crown Solicitors practices to be reviewed.	1	2:4
388	Number of applications from Crown Solicitors for special fees, classification of counsel and approval of additional counsel.	244	350:370

##### *Explanation of significant variances:*

Given the size of the practice reviewed and the limited resources available to conduct further review it was not possible to undertake more than one review of a Crown Solicitor practice in the year ended 30 June 2003. As at 30 June 2003, the fieldwork for the review had been completed in preparation for the reporting stage of the review.

##### *Quality and Timeliness*

Measures	Performance
Applications by Crown Solicitors for special fees, reclassification of counsel and approval of additional counsel to be considered in accordance with the Crown Solicitors Regulations 1994 and the Office's protocols which support the application of the regulations. The protocols describe the processes to be followed, the quality standards relating to the process, content, justification for requests.	All applications made by Crown Solicitors were approved in accordance with the Crown Solicitors Regulations 1994, and the Office's protocols, which support the application of the regulations. Notification of approval and feedback on the application was formally advised to the Crown Solicitor within the agreed timeframe.

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 2: Supervision and Conduct of Crown Prosecutions - continued

#### Service Performance – Output 2.2: Supervision of Crown Solicitor Network

##### *Quality and Timeliness - continued*

Measures	Performance
<p>The provision of prosecution services by Crown Solicitors is to be reviewed by an independent review panel with reference to a range of quality standards which include:</p> <ul style="list-style-type: none"> <li>• compliance with professional standards of conduct.</li> <li>• application of the Solicitor-General's prosecution guidelines.</li> <li>• compliance with court procedures and the requirements of the judiciary and clients in the management of cases.</li> <li>• compliance with the Crown Solicitors Regulations 1994 and, in particular, the charging for services rendered.</li> <li>• compliance with protocols and financial guidelines developed by the Office to support the application of the above Regulations.</li> </ul>	<p>The Review Panel, which comprised a senior representative of the Office, and an independent adviser, performed a review of one Crown Solicitor practice in this period. The review addressed compliance with the performance measures covering:</p> <ul style="list-style-type: none"> <li>• case processing efficiency and effectiveness.</li> <li>• practice management case allocation, good employer responsibilities, financial reporting on cases and compliance with the Regulations and the supporting protocols.</li> </ul> <p>(A report remains to be prepared for the Solicitor-General by the Review Panel containing documentary evidence of the review process with assessments and conclusions)</p>

##### *Crown Solicitor Practice Review Process:*

The Crown Solicitor Practice Review process has been established to ensure that Crown Solicitors meet certain quality standards in undertaking Crown prosecutions. These standards are described in the above table. It is aimed to review all Crown Solicitor practices at least once in each four to five year period. The number of reviews undertaken in any year will depend upon the size of the practice to be reviewed, the resources available to undertake the reviews and the operational efficiencies derived from reviewing practices in close geographic proximity.

##### *Crown Solicitor Appointment Process:*

The Solicitor-General is responsible for the process of appointment of Crown Solicitors. The process, which includes extensive consultation and inquiry to determine the suitability of candidates to undertake the role of Crown Solicitor, results in a recommendation to the Attorney-General and, in turn, to the Governor-General for the issuing of the Crown Solicitor warrant. One new Crown Solicitor appointment (Napier) was made in the financial year under review (2002: Two - Dunedin and Tasman).



## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 2: Supervision and Conduct of Crown Prosecutions - continued

#### Service Performance – Output 2.3: Criminal Law Advice and Services

##### Quantity

2002 Actual	Measures	2003 Actual	2003 Forecast
358	Number of new requests for legal advice or determination of applications received in relation to criminal law issues.	389	340:360
392	Average number of requests for legal advice or determination of applications in relation to criminal law in process during the year.	441	380:400
21	Number of new ministerials and parliamentary questions received.	37	35:50

##### Explanation of major variations:

The number of new requests for legal advice has unexpectedly increased, and reflects the difficulty of accurately estimating this demand based activity. This level of demand has flowed through into an increase in the average numbers of requests in process during the year.

##### Quality and Timeliness

Measures	Performance
Legal advice, including opinions, and representation services to be provided in accordance with the Office's Professional Standards: Crown Law Advice and Conduct of Litigation, respectively.	Quality assurance review processes have been implemented to ensure compliance with the standards established for legal advice and representation services.
Ministerial correspondence and parliamentary questions to be responded to within the following time frames: <ul style="list-style-type: none"> <li>Replies to <i>ministerial correspondence</i> will be completed within 20 working days of receipt in 90% of cases.</li> <li>All responses to <i>parliamentary questions</i> will be provided within the required deadlines.</li> </ul>	<ul style="list-style-type: none"> <li>Replies to ministerial correspondence were provided within the required timeframe in 86% of cases. (2002: 81%)</li> <li>No parliamentary questions were received. (2002: No parliamentary questions were received)</li> </ul>

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 3: Conduct of Criminal Appeals

##### Objective

To determine whether Crown appeals against sentence are lodged and to appear or arrange representation at the hearing of appeals whether brought by the Crown or by offenders following trials on indictment.

##### Outcome

Contributes to building safe communities by assisting in the maintenance of law and order.

##### Financial Performance

(Figures are GST exclusive)

2002 Actual \$000		2003 Actual \$000	2003 Main Estimates \$000	2003 Supp. Estimates \$000
1,366	Revenue – Crown	1,324	1,224	1,324
1,352	Expenditure	1,404	1,224	1,324
14	Net surplus/(deficit)	(80)	-	-

##### Explanation of major variations:

The appropriation for this output class was increased by a net amount of \$100,000 in the Supplementary Estimates to reflect changes in the matter related expenditure. The time spent on appeals was approximately 12% more than the previous year and together with increased matter related expenditure, account for the deficit.

##### Quantity

2002 Actual	Measures	2003 Actual	2003 Forecast
	Number of appeals heard in the Court of Appeal arising out of criminal trials on indictment, brought by:		
33	• the Crown	10	20:30
286	• offenders	288	340:370
	Decisions made on requests for the Solicitor-General to take Crown appeals in relation to:		
46	• sentence	24	40:50
25	• case stated or other appeals.	6	25:30

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 3: Conduct of Criminal Appeals - continued

##### Service Performance

##### *Quantity - continued*

##### *Explanation of Variances:*

The actual number of appeals heard was less than estimated. The estimates are considered to be too high given the resources needed and available to conduct appeals, and will be revised down in future periods.

##### *Quality and Timeliness*

Measures	Performance
Success rate for appeals brought by the Solicitor-General to be not less than 60%.	The success rate for appeals brought by the Solicitor-General was 70%. (2002: 74%)
Compliance with court procedures and requirements of the judiciary, as specified in the 'Court of Appeal Practice Note – Criminal Appeals', to ensure no complaints are received for non-compliance.	No complaints have been received by the Office for non-compliance with court procedures and practice notes.
The hearing of appeals to be undertaken in accordance with the schedule of sitting days which is agreed by the court one month in advance, and resulting in no requests for adjournment being sought by the Crown.	The hearing of appeals was undertaken in accordance with the timetable set by the court.
Written submissions to be filed within the time frame stipulated in the 'Court of Appeal Practice Note – Criminal Appeals' (which states that submissions are to be filed by the Crown by the required date, or within three days of receipt of the appellant's submissions, or if that time frame is not available then prior to the appeal hearing).	The Crown filed written submissions within the timeframe stipulated in the Court of Appeal practice note – Criminal Appeals.

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 4: The Exercise of Principal Law Officer Functions

##### Objective

To provide legal and administrative services to the Attorney-General and the Solicitor-General to assist them in the exercise of the principal Law Officer functions. The functions include monitoring the enforcement and application of the law, supervision of charities, representation of the public interest, relator proceedings, and the exercise of a variety of powers, duties and authorities arising from various statutory requirements and constitutional conventions.

##### Outcome

Contributes to building safe communities by assisting in the maintenance of law and order and contributing to the maintenance of public interest factors in the application of the law.

##### Financial Performance

(Figures are GST exclusive)

<b>2002 Actual</b>		<b>2003 Actual</b>	<b>2003 Main Estimates</b>	<b>2003 Supp. Estimates</b>
<b>\$000</b>		<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
1,215	Revenue - Crown	1,137	1,237	1,137
7	- Other	12	-	-
1,222		1,149	1,237	1,137
1,130	Expenditure	1,134	1,237	1,137
92	Net surplus	15	-	-

##### *Explanation of major variations:*

The appropriation for this output class was decreased by a net amount of \$100,000 in the Supplementary Estimates to reflect an expected reduction in matter related expenditure during the period.

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 4: The Exercise of Principal Law Officer Functions - continued

##### Service Performance

##### *Quantity*

2002 Actual	Measures	2003 Actual	2003 Forecast
113	Number of new applications or requests for legal advice	136	120:130
306	Average number of applications or requests for legal advice in process during the year	294	320:335
294	Number of new ministerials and parliamentary questions received.	274	240:260

##### *Explanation of major variations:*

The number of new ministerials and parliamentary questions continue to exceed expectations, and reflects the difficulty experienced in estimating the demand for this activity.

##### *Quality and Timeliness*

Measures	Performance
Legal advice, including opinions, and legal representation services will be provided in accordance with the Office's Professional Standards: Crown Law Advice and Conduct of Litigation, respectively.	Quality assurance review processes have been implemented to ensure compliance with the standards established for legal advice and legal representation services.
Ministerial correspondence and parliamentary questions to be responded to within the following time frames: <ul style="list-style-type: none"> <li>Replies to <i>ministerial correspondence</i> will be completed within 20 working days of receipt in 90% of cases.</li> <li>All responses to <i>parliamentary questions</i> will be provided within the required deadlines.</li> </ul>	<ul style="list-style-type: none"> <li>Replies to ministerial correspondence were provided within the required timeframe in 84% of cases. (2002: 80%)</li> <li>Replies to parliamentary questions were provided within the required timeframe in 100% of cases. (2002: 100%)</li> </ul>

## CROWN LAW OFFICE

### Statement of Objectives and Service Performance for the year ended 30 June 2003

#### Output Class 4: The Exercise of Principal Law Officer Functions - continued

#### Service Performance

#### *Quality and Timeliness - continued*

Measures	Performance
Brief the Attorney-General in a timely and relevant way on significant legal matters affecting the Crown.	A report is provided each week to the Attorney-General advising on significant matters involving the Crown.
Client satisfaction survey to be conducted among clients seeking feedback on performance in respect of matters selected at random. The survey questions cover a range of service level criteria designed to assess the timeliness and accessibility of advice, quality of advice, and effectiveness of advice.	The methodology of the client satisfaction survey process was described under Output Class 1: Legal Advice and Representation - Service Performance – <i>Quality and Timeliness</i> . The targets and results of the client satisfaction survey process for the year ended 30 June 2003 are set out below.

#### *Client Satisfaction Survey Results:*

2002 Actual		2003 Actual	2003 Forecast
2	Questionnaires issued	0	15:20
0	Questionnaires returned	0	N/A
Not available	Overall satisfaction rating	Not available	80%:90%

#### *Explanation of major variations:*

Given the nature of the work performed in this output class and the difficulty of identifying a 'client' for many matters, it was not possible to achieve the estimated target for the issuing of questionnaires.

# CROWN LAW OFFICE

## Statement of Accounting Policies for the year ended 30 June 2003

### Reporting Entity

The Crown Law Office is a government department as defined by section 2 of the Public Finance Act 1989. These are the financial statements of the Crown Law Office prepared pursuant to section 35 of the Public Finance Act 1989. In addition, the Office has reported on the trust monies which it administers.

### Measurement System

The financial statements have been prepared on an historical cost basis modified by the revaluation of the Library asset.

### Accounting Policies

The following particular accounting policies which materially affect the measurement of financial results and financial position have been applied.

#### Budget Figures

The Budget figures are those presented in the Budget Night Estimates (Main Estimates) and those amended by the Supplementary Estimates (Supplementary Estimates) and any transfer made by Order in Council under s5 of the Public Finance Act 1989.

#### Revenue

The Office 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.

#### Cost Allocation

The Office has determined the cost of outputs using a cost allocation system which is outlined below.

##### *Cost Allocation Policy*

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities based on cost drivers and related activity/usage information.

##### *Direct and Indirect Cost Assignment to Outputs*

Direct costs are charged directly to outputs. Personnel costs are charged to outputs on the basis of actual time incurred. For the year ended 30 June 2003, direct costs accounted for 87% of the Office's costs (2002: 86%).

Indirect costs are the costs of corporate management and support services, including depreciation and the capital charge, and are assigned to outputs based on the proportion of direct staff costs for each output. For the year ended 30 June 2003, indirect costs accounted for 13% of the Office's costs (2002: 14%).

#### Work-in-Progress

Work-in-progress is determined as unbilled time plus disbursements that can be recovered from clients, and has been valued at the lower of cost or expected realisable value.

## CROWN LAW OFFICE

### Statement of Accounting Policies for the year ended 30 June 2003

#### Accounting Policies - continued

##### Debtors and Receivables

Receivables are recorded at estimated realisable value, after providing for doubtful and uncollectable debts.

##### Operating Leases

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are charged as expenses in the periods in which they are incurred.

##### Fixed Assets

A revaluation of the library asset is carried out at least every three years based on fair value for highest and best use. The purchase of new publications for the library between the revaluations are capitalised at cost.

All other fixed assets, costing more than \$1,000, are capitalised and recorded at historical cost.

##### Depreciation

Depreciation of fixed assets is provided on a straight line basis at rates which will write off the cost of the assets, less their estimated residual values, over their estimated useful lives. The useful lives of the major classes of assets have been estimated as follows:

• Computer equipment	3 years	(33.3%)
• Office equipment	5 years	(20%)
• Furniture and fittings	5 years	(20%)
• Leasehold improvements	Up to 9 years	(11.1%)
• Library	10 years	(10%)

The cost of leasehold improvements is capitalised and amortised over the unexpired period of the lease or the estimated remaining useful lives of the improvements, whichever is shorter.

##### Employee Entitlements

The liability for entitlements by staff to annual leave, long service leave and retirement leave have been provided for as follows:

- Existing entitlements to annual leave and long service leave have been calculated on an actual entitlement basis at current rates of pay.
- Future entitlements to long service leave and retirement leave have been calculated on an actuarial basis based on the present value of expected future entitlements.

##### Foreign Currency

Foreign currency transactions are converted at the New Zealand dollar exchange rate at the date of the transaction. No forward exchange contracts are entered into.



## **CROWN LAW OFFICE**

### **Statement of Accounting Policies for the year ended 30 June 2003**

#### **Accounting Policies - continued**

##### **Financial instruments**

The Office is party to financial transactions as part of its normal operations. These financial instruments, which include bank accounts, debtors and creditors, are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

##### **Goods and Services Tax (GST)**

The Statement of Unappropriated Expenditure and the Statements of Departmental and Non-Departmental Expenditure and Appropriations are inclusive of GST. The Statement of Financial Position is exclusive of GST, except for Trade Debtors and Receivables and Creditors and Payables, which are GST inclusive. All other statements are GST exclusive. The amount of GST owing to the Inland Revenue Department at balance date, being the difference between Output GST and Input GST, is included in Creditors and Payables.

##### **Taxation**

Government departments are exempt from the payment of income tax in terms of the Income Tax Act 1994. Accordingly, no charge for income tax has been provided for.

##### **Commitments**

Future expenses and liabilities to be incurred on contracts that have been entered into at balance date are disclosed as commitments to the extent that there are equally unperformed obligations.

##### **Contingent Liabilities**

Contingent liabilities are disclosed at the point at which the contingency is evident.

##### **Taxpayers' Funds**

This is the Crown's net investment in the Office.

##### **Changes in Accounting Policies**

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

All policies have been applied on a basis consistent with the previous year.

## CROWN LAW OFFICE

### Statement of Financial Performance for the year ended 30 June 2003

2002 Actual		Note	2003 Actual	2003 Main Estimates	2003 Supp. Estimates
\$000			\$000	\$000	\$000
<b>REVENUE</b>					
23,934	Crown		25,513	24,433	25,513
13,582	Other	2	13,747	13,234	14,235
<u>37,516</u>	<b>Total Operating Revenue</b>		<u>39,260</u>	<u>37,667</u>	<u>39,748</u>
<b>EXPENSES</b>					
10,245	Personnel Costs	3	10,951	9,850	10,563
25,442	Operating Costs	4	28,040	26,471	27,745
514	Depreciation	5	362	335	417
199	Capital Charge	6	188	187	199
<u>36,400</u>	<b>Total Expenses</b>		<u>39,541</u>	<u>36,843</u>	<u>38,924</u>
<u>1,116</u>	<b>Net (deficit)/surplus</b>		<u>(281)</u>	<u>824</u>	<u>824</u>

The accompanying accounting policies and notes form part of these financial statements.  
For information on major variances refer to Note 1

## CROWN LAW OFFICE

### Statement of Movements in Taxpayers' Funds for the year ended 30 June 2003

2002 Actual		2003 Actual	2003 Main Estimates	2003 Supp. Estimates
\$000	Note	\$000	\$000	\$000
2,217	Taxpayers' funds as at 1 July	2,217	2,217	2,217
1,116	Net (deficit)/surplus	(281)	824	824
1,116	<i>Total recognised revenues and expenses for the year</i>	(281)	824	824
(1,116)	Provision for repayment of surplus to the Crown	-	(824)	(824)
2,217	<b>Taxpayers' funds as at 30 June</b>	1,936	2,217	2,217

The accompanying accounting policies and notes form part of these financial statements.

## CROWN LAW OFFICE

### Statement of Financial Position as at 30 June 2003

2002 Actual		Note	2003 Actual	2003 Main Estimates	2003 Supp. Estimates
\$000			\$000	\$000	\$000
<b>ASSETS</b>					
<b>Current Assets</b>					
4,316	Cash		3,950	3,692	3,544
3,319	Debtors and receivables	8	2,822	2,393	2,393
7,635	<b>Total current assets</b>		6,772	6,085	5,937
<b>Non-current assets</b>					
1,097	Fixed assets	9	1,141	1,019	1,167
8,732	<b>Total assets</b>		7,913	7,104	7,104
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
4,652	Creditors and payables	10	5,187	3,374	3,374
1,116	Provision for repayment of surplus	11	-	824	824
583	Provision for employee entitlements	12	591	555	555
6,351	<b>Total current liabilities</b>		5,778	4,753	4,753
<b>Non-current liabilities</b>					
164	Provision for employee entitlements	12	199	134	134
6,515	<b>Total liabilities</b>		5,977	4,887	4,887
<b>TAXPAYERS' FUNDS</b>					
1,921	General Funds		1,640	1,921	1,921
296	Revaluation reserve	7	296	296	296
2,217	<b>Total taxpayers' funds</b>		1,936	2,217	2,217
8,732	<b>Total liabilities and taxpayers' funds</b>		7,913	7,104	7,104

The accompanying accounting policies and notes form part of these financial statements.  
For information on major variances against budget refer to Note 1

# CROWN LAW OFFICE

## Statement of Cash Flows for the year ended 30 June 2003

2002 Actual		2003 Actual	2003 Main Estimates	2003 Supp. Estimates
\$000		\$000	\$000	\$000
<b>CASH FLOWS – OPERATING ACTIVITIES</b>				
<i>Cash was provided from: Supply of outputs to</i>				
24,409	- Crown	25,513	24,433	25,513
12,658	- Government departments and related agencies	14,217	13,234	14,235
37,067		39,730	37,667	39,748
<i>Cash was applied to: Produce outputs</i>				
24,203	- Operating	26,550	24,971	26,502
9,841	- Personnel	10,434	9,850	10,713
1,515	- Net GST paid	1,402	1,500	1,500
199	- Capital charge	188	187	199
35,758		38,574	36,508	38,914
1,309	<b>Net cash flows from operating activities</b>	1,156	1,159	834
<b>CASH FLOWS – INVESTING ACTIVITIES</b>				
<i>Cash was provided from:</i>				
1	Sale of fixed assets	-	-	-
<i>Cash disbursed for:</i>				
258	Purchase of fixed assets	406	300	490
(257)	<b>Net cash flows from investing activities</b>	(406)	(300)	(490)
<b>CASH FLOWS – FINANCING ACTIVITIES</b>				
<i>Cash disbursed for:</i>				
49	Repayment of net surplus to Crown	1,116	861	1,116
(49)	<b>Net cash flows from financing activities</b>	(1,116)	(861)	(1,116)
1,003	Net Increase/(Decrease) in cash held	(366)	(2)	(772)
3,313	Add opening cash	4,316	3,694	4,316
4,316	<b>Closing cash</b>	3,950	3,692	3,544

The accompanying accounting policies and notes form part of the financial statements.  
For information on major variances against budget refer to Note 1

## CROWN LAW OFFICE

### Reconciliation of Net Surplus to Net Cash Flow from Operating Activities for the year ended 30 June 2003

2002 Actual		2003 Actual	2003 Main Estimates	2003 Supp. Estimates
\$000		\$000	\$000	\$000
1,116	<b>Net (deficit)/surplus</b>	(281)	824	824
	Adjustment for items which do not impact cash flow:			
514	- Depreciation	362	335	417
30	- Increase/(decrease) in non current employee entitlements	35	-	-
544	<b>Total non-cash items</b>	397	335	417
	Adjustment for movements in working capital items:			
(923)	- (Increase)/decrease in debtors and receivables	497	-	451
615	- Increase/(decrease) in creditors and payables	535	-	(824)
(42)	- Increase/(decrease) in current employee entitlements	8	-	(35)
(350)	<b>Working capital movements – net</b>	1,040	-	(408)
	Add/(less) investing activity items:			
(1)	- Net loss/(gain) on sale of fixed assets	-	-	1
(1)	<b>Total investing activity items</b>	-	-	1
1,309	<b>Net cash inflow from operating activities</b>	1,156	1,159	834

The accompanying accounting policies and notes form part of the financial statements.

## CROWN LAW OFFICE

### Statement of Commitments as at 30 June 2003

The Office's lease on its premises in Wellington expired on 31 December 2001 and was renewed until 31 December 2004. The amounts disclosed below as future commitments are based on the current lease rental rates.

Operating leases include lease payments for premises, car parks and photocopiers.

<b>2002</b>		<b>2003</b>
<b>Actual</b>		<b>Actual</b>
<b>\$000</b>		<b>\$000</b>
<i>Operating lease commitments</i>		
929	- less than one year	941
918	- one to two years	539
531	- two to five years	-
2,378	Total operating lease commitments	1,480
2,378	<b>Total Commitments</b>	1,480

No significant commitments were outstanding for the purchase of goods and services as at 30 June 2003.

### Statement of Contingent Liabilities as at 30 June 2003

There were no contingent liabilities as at 30 June 2003 (2002: Nil)

The accompanying accounting policies and notes form part of these financial statements.

## CROWN LAW OFFICE

### Statement of Unappropriated Expenditure for the year ended 30 June 2003

2002 Unappropriated Expenditure \$000	2003 Actual \$000	2003 Appropriation \$000	2003 Unappropriated Expenditure \$000
<b>Vote: Attorney-General</b>			
152	Output Class 1– Legal Advice and Representation	15,318	15,190
-	Output Class 2 – Supervision and Conduct of Crown Prosecutions	26,284	25,933
-	Output Class 3 Conduct of Criminal Appeals	1,570	1,490
128			80
351			351

#### *Output Class 1– Legal Advice and Representation*

The unappropriated expenditure in this output class resulted from:

- an unexpected increase in expenditure incurred on fees paid to barristers and other advisors on behalf of clients in the last month of the financial year; and
- an increase in the allocation of personnel and overhead costs initiated by the higher than estimated level of activity in the last quarter of the financial year.

The increased expenditure has been met from Revenue – Departments and Other and is fiscally neutral

#### *Output Class 2– Supervision and Conduct of Crown Prosecutions*

The unappropriated expenditure in this output class resulted from:

- an unexpected increase in expenditure incurred on fees paid to Crown Solicitors to conduct prosecutions in the last month of the financial year.

The increased expenditure will be a direct charge to Revenue Crown.

#### *Output Class 3– Conduct of Criminal Appeals*

The unappropriated expenditure in this output class resulted from:

- an unexpected increase in expenditure incurred on fees paid to Crown Solicitors to conduct appeals in the last month of the financial year; and
- an increase in the allocation of personnel and overhead costs initiated by the higher than estimated level of activity in the last month of the financial year.

The increased expenditure will be a direct charge to Revenue Crown.

The accompanying accounting policies and notes form part of these financial statements.



## CROWN LAW OFFICE

### Statement of Departmental Expenditure and Appropriations for the year ended 30 June 2003

<i>(Figures are GST inclusive where applicable)</i>	<b>2003 Actual Expenditure \$000</b>	<b>2003 Appropriation Voted* \$000</b>
<b>Vote: Attorney General</b>		
<i>Appropriations for classes of outputs</i>		
D1 – Legal Advice and Representation	15,318	15,190
D2 – Supervision and Conduct of Crown Prosecutions	26,284	25,933
D3 – Conduct of Criminal Appeals	1,570	1,490
D4 – The Exercise of Principal Law Officer Functions	1,278	1,279
<b>Total appropriations</b>	<b>44,450</b>	<b>43,892</b>

\*The Appropriation Voted includes adjustments made in the Supplementary Estimates.

### Statement of Trust Monies for the year ended 30 June 2003

<b>Account</b>	<b>As at 1 July 2002 \$000</b>	<b>Contributions \$000</b>	<b>Distributions \$000</b>	<b>Revenue \$000</b>	<b>Expenses \$000</b>	<b>As at 30 June 2003 \$000</b>
Crown Law Office Legal Claims Account	5	1,319	(1,291)		-	33

This account is operated to receive and pay legal claims and settlements on behalf of clients of the Office.

The accompanying accounting policies and notes form part of these financial statements.

## CROWN LAW OFFICE

### Notes to the Financial Statements for the year ended 30 June 2003

#### Note 1: Major Budget Variations

##### Statement of Financial Performance (GST Inclusive)

1. *Output Class 1 – Legal Advice and Representation Services*  
This output class recorded a surplus of \$134,000 for the year. However, actual expenditure exceeded the revised appropriation levels by \$128,000 (GST inclusive). The unappropriated expenditure was the result of an unexpected increase in disbursements for services provided by legal and other advisors in the final quarter of the financial year which also attracted a higher than estimated share of personnel and overhead costs. The number of new instructions received exceeded those forecast and has resulted in a small increase in the number of advice and litigation matters in progress.
2. *Output Class 2 – Supervision and Conduct of Crown Prosecutions*  
This output class recorded a deficit (unappropriated expenditure) of \$350,000 for the year. The appropriation for this output class had been increased by a net amount of \$1,215,000 (GST inclusive) in the Supplementary Estimates in anticipation of a demand based increase in expenditure for Crown prosecution services.
3. *Output Class 3 – Conduct of Criminal Appeals*  
This output class recorded a deficit (unappropriated expenditure) of \$80,000 for the year. The appropriation for this output class had been increased by a net amount of \$113,000 (GST inclusive) in the Supplementary Estimates to reflect an increase in the level of activity.
4. *Output Class 4 – The Exercise of Principal Law Officer Functions*  
This output class recorded a surplus of \$15,000 for the year. The appropriation for this output class had been decreased by a net amount of \$113,000 (GST inclusive) in the Supplementary Estimates to reflect an estimated reduced level of activity. Actual expenditure for the year was in accordance with budget.

Further information on the changes in output classes are set out in the Statement of Objectives and Service Performance. The Statement of Unappropriated Expenditure explains the variations from the Supplementary Estimates.

## CROWN LAW OFFICE

### Notes to the Financial Statements for the year ended 30 June 2003

#### Note 2: Other Revenue

2002 Actual \$000		2003 Actual \$000	2003 Main Estimates \$000	2003 Supp. Estimates \$000
	Legal fees and disbursements received from:			
12,865	- Government departments	13,747	12,564	13,565
716	- Other clients	-	670	670
1	Profit on sale of fixed assets	-	-	-
<u>13,582</u>	<b>Total other revenue</b>	<u>13,747</u>	<u>13,234</u>	<u>14,235</u>

#### Note 3: Personnel Costs

2002 Actual \$000		2003 Actual \$000
10,257	Salaries and Wages	10,915
(12)	Movement in Retirement and Long Service Leave	36
<u>10,245</u>	<b>Total personnel costs</b>	<u>10,951</u>

#### Note 4: Operating costs

2002 Actual \$000		2003 Actual \$000	2003 Main Estimates \$000	2003 Supp. Estimates \$000
29	Audit fees for audit of the financial statements	30	29	29
154	Consultancy costs	229	266	266
20,066	Crown Solicitors fees	22,601	21,112	22,192
994	Operating lease costs	994	1,019	1,019
4,199	Other operating costs	4,186	4,045	4,239
<u>25,442</u>	<b>Total operating costs</b>	<u>28,040</u>	<u>26,471</u>	<u>27,745</u>

## CROWN LAW OFFICE

### Notes to the Financial Statements for the year ended 30 June 2003

#### Note 5: Depreciation Charge

2002 Actual \$000		2003 Actual \$000	2003 Main Estimates \$000	2003 Supp. Estimates \$000
12	Office Equipment	16	20	20
233	Computer Equipment	247	196	274
168	Leasehold Improvements	-	17	10
31	Furniture & Fittings	27	29	40
70	Library	72	73	73
514	<b>Total depreciation charge</b>	362	335	417

#### Note 6: Capital Charge

The Office pays a capital charge to the Crown on its taxpayers' funds as at 30 June and 31 December each year. The capital charge rate for the year ended 30 June 2003 was 8.5% (2002: 9%).

#### Note 7: Revaluation reserve - Library

There was no revaluation of the Library asset during the year ended 30 June 2003.

#### Note 8: Debtors and Receivables

2002 Actual \$000		2003 Actual \$000
1,619	Trade debtors	1,208
(20)	<i>Less</i> provision for doubtful debts	(20)
1,669	Work in progress	1,597
(39)	<i>Less</i> provision for doubtful work in progress	(39)
90	Prepayments	76
3,319	<b>Total debtors and receivables</b>	2,822

# CROWN LAW OFFICE

## Notes to the Financial Statements for the year ended 30 June 2003

### Note 9: Fixed Assets

2002 Actual \$000		2003 Actual \$000
	<b>Office Equipment</b>	
263	At cost	271
(235)	Accumulated depreciation	(219)
28	<b>Office Equipment – net book value</b>	52
	<b>Computer Equipment</b>	
1,342	At cost	1,394
(1,025)	Accumulated depreciation	(976)
317	<b>Computer Equipment – net book value</b>	418
	<b>Leasehold Improvements</b>	
1,652	At cost	1,652
(1,652)	Accumulated depreciation	(1,652)
-	<b>Leasehold Improvements – net book value</b>	-
	<b>Furniture and Fittings</b>	
275	At cost	275
(170)	Accumulated depreciation	(197)
105	<b>Furniture and Fittings – net book value</b>	78
	<b>Library</b>	
697	Base collection at valuation – 30 June 2002	697
20	Additions at cost	39
(70)	Accumulated depreciation	(143)
647	<b>Library – net current value</b>	593
	<b>TOTAL FIXED ASSETS</b>	
4,249	At cost and valuation	4,328
(3,152)	Accumulated depreciation	(3,187)
1,097	<b>TOTAL CARRYING AMOUNT OF FIXED ASSETS</b>	1,141

The library asset was independently valued at net current value as at 30 June 2002 by Stephanie Lambert NZCL of Lambert Library Services.

Leasehold improvements were depreciated over the initial term of the lease which expired on 31 December 2002.

## CROWN LAW OFFICE

### Notes to the Financial Statements for the year ended 30 June 2003

#### Note 10: Creditors and Payables

2002 Actual \$000		2003 Actual \$000
2,093	Trade creditors	2,569
1,406	Accrued work in progress – Crown Solicitors Fees	1,851
517	Other accrued expenses	588
161	GST payable	179
475	Creditor Crown	-
<u>4,652</u>	<b>Total creditors and payables</b>	<u>5,187</u>

#### Note 11: Provision for Repayment of Surplus to the Crown

The provision for repayment of surplus to the Crown is equivalent to the net operating surplus as recorded in the Statement of Financial Performance. The Office recorded an overall deficit in this financial year and, accordingly, there is no provision for repayment of a surplus to the Crown.

#### Note 12: Provision for Employee Entitlements

2002 Actual \$000		2003 Actual \$000
	<b>Current liabilities</b>	
525	Annual leave	539
58	Long service leave	52
<u>583</u>	<b>Total current portion</b>	<u>591</u>
	<b>Non-current liabilities</b>	
64	Long service leave	75
100	Retirement leave	124
<u>164</u>	<b>Total long term portion</b>	<u>199</u>
<u>747</u>	<b>Total provision for employee entitlements</b>	<u>790</u>

## **CROWN LAW OFFICE**

### **Notes to the Financial Statements for the year ended 30 June 2003**

#### **Note 13: Financial Instruments**

The Office is party to financial instrument arrangements as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable and trade creditors.

##### *Credit Risk*

Credit risk is the risk that a third party will default on its obligations to the Office, causing the Office to incur a loss. In the normal course of its business, the Office incurs credit risk from trade debtors and transactions with financial institutions. The Office does not require any collateral or security to support financial instruments with financial institutions that the Office deals with, as these entities have high credit ratings. For its other financial instruments, the Office has in excess of 97% of the outstanding revenue represented by debtors and work in progress due from government departments and ministries.

##### *Fair Value*

The fair value of all financial instruments is equivalent to the carrying amount disclosed in the Statement of Financial Position.

##### *Currency and interest rate risk*

There are no financial instruments that potentially subject the Office to material foreign exchange or interest rate risks.

#### **Note 14: Contingencies**

The Office does not have any contingent assets as at 30 June 2003 (30 June 2002: Nil). There were no contingent liabilities as noted in the Statement of Contingent Liabilities.

#### **Note 15: Related Party Information**

The Office is a wholly owned entity of the Crown. The Crown Law Office enters into trading activities with the Crown, other departments and ministries, and Crown Entities. These activities are conducted on an arms length basis and are not considered to be related party transactions. Apart from those transactions described above, the Office has not entered into any related party transactions.

#### **Note 16: Events After Balance Date**

On 17 July 2003 an Agreement to Lease office accommodation at Unisys House, 56 The Terrace, Wellington was signed for an initial term of nine years.

No other significant events, which may impact on the actual results, have occurred between the year end and the signing of the financial statements.